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FINANCIAL TIMES

Europe's Business Newspaper — WEDNESDAY MARCH 17 1993 — D8523A

Yeltsin calls for urgent western aid to Russia

Russian president Boris Yeltsin called for immediate, substantial western aid to prevent "the serious danger of reaction" in Russia. "We cannot wait for Tokyo in June or July. It may prove too late," he added. French president François Mitterrand, speaking at a joint Moscow news conference with Mr Yeltsin, suggested Group of Seven leaders meet as soon as possible after Mr Yeltsin's summit with US president Bill Clinton next month to discuss Russia's problems. Page 16; Campaign suspected, Page 2; Editorial Comment, Page 15

Israelis kill Palestinians: Israeli soldiers killed two Palestinian youths and wounded at least 70 other Arabs in a Gaza refugee camp. The clashes came as Arabs throwing stones were met by live rounds from Israeli soldiers. Prime minister Yitzhak Rabin decided to cut short a US visit because of the upsurge in violence. Page 4

UK tour operator escapes takeover: Owners Abroad, Britain's second-biggest holiday tour operator, narrowly fought off a £290m ($412m) hostile bid from rival Airtours. The tussle was decided only when Owners Abroad shareholder Gartmore, which originally backed the Airtours bid, switched allegiance to the defender at the last moment. Page 17

Beijing lambasts Patten: Hong Kong governor Chris Patten came under a stinging attack in China's People's Daily newspaper, organ of the communist party. "We'd like to warn this shameless politician to stop his clumsy show," the paper said. Page 4

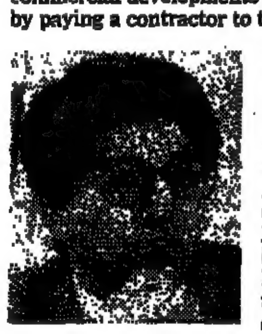
Diplomat defects: China's consul-general in St Petersburg, Russia's second city, has defected to Sweden with his wife. Fan Li Chen and his wife disappeared from Russia at the weekend. The couple have asked Sweden for political asylum.

Bundesbank cautious: German Bundesbank directorate member Otmar Issing warned that the solidarity pact between government and opposition was not on its own a sufficient reason for lowering interest rates. Page 16

George Wimpey, the UK's second-largest housebuilder, made a £112.4m ($160m) pre-tax loss. The figure, Wimpey's worst results, underscores the depth of the recession in UK housing and construction. Page 17; Lex, Page 16

Algerian violence: Labour minister Tahar Hamdi was shot and wounded in Algiers, according to the communications ministry, which denied an earlier report that sports minister Abdelkader Khamri had been killed. The attack on Hamdi came a few hours after former minister Djilali Liabes was shot dead in an attack blamed on Moslem fundamentalists. Page 4

Move to privatise rail link: The British government may privatise London's Docklands Light Railway, the transit system serving new commercial developments east of the capital, by paying a contractor to take it over. Page 8



Rome assassination Two gunmen riding a scooter shot dead Mohammed Hussein Nagdi, a prominent opponent of the Iranian government, as he drove through Rome. He was the Rome head of the Iranian National Resistance Council, the country's main opposition group. Page 4

General Electric of the US moved to inject Ft17bn ($185m) of fresh capital into Tungsram, its troubled Hungarian lighting joint venture, in the wake of losses which wiped out the company's equity. Page 17

Juvenile crime proposal: Dutch prime minister Ruud Lubbers said he wanted to set up work camps for young offenders, with former soldiers acting as guards.

Emirates opens telecoms market: Etisalat, the United Arab Emirates' telecoms monopoly, is to let foreign manufacturers import and sell telephones and other equipment from April 1.

Rival terrorists to wed: British prisoner Anna Moore, a former member of the republican Irish National Liberation Army, is to marry fellow terrorist convict Bobby Corry, a Protestant extremist from the other side of Northern Ireland's sectarian divide. Their bridesmaid will be a former Ulster Defence Regiment soldier jailed for killing the wife of her Army officer lover.

■ **STOCK MARKET INDICES**

FT-SE 100:	2918.3	(-8.1)
Yield	4.14	
FT-SE Eurotrack 100	1151.53	(-2.09)
FT-A All-Share	1424.79	(-0.0%)
Nikkei	17,968.39	(-117.88)
New York: lunchtime		
Dow Jones Ind Ave	3444.39	(+1.89)
S&P Composite	451.62	(+0.19)

■ **US LUNCHTIME RATES**

Federal Funds:	2 11/32%	(3 1/8%)
3-mo Treas Bills: Yld	3.024%	(3.033%)
Long Bond	103 1/8	(102 7/8)
Yield	6.874%	(6.894%)

■ **LONDON MONEY**

3-mo Interbank	6%	(Same)
Liffe long gilt future:	Jun 105 17/32	(Jun 106 7/8)

■ **NORTH SEA OIL (Argus)**

Brent 15-day (May)	$18.88	(18.75)

■ **Gold**

New York Comex (April)	$329.8	(same)
London	$328.75	(328.65)

■ **STERLING**

New York lunchtime:		
$	1.4515	
London:		
$	1.445	(1.4345)
DM	2.4025	(2.3825)
FFr	8.1875	(8.1025)
SFr	2.2	(2.1825)
Y	168.75	(170.0)
£ Index	77.7	(77.2)

■ **DOLLAR**

New York lunchtime:		
DM	1.68135	
FFr	5.64625	
SFr	1.5215	
Y	116.8	
London:		
DM	1.663	(1.6615)
FFr	5.6625	(5.6475)
SFr	1.522	(Same)
Y	116.8	(118.5)
$ Index	66.5	(66.8)
Tokyo close Y 117.78		

Austria	Sch30	Greece	Dr300	Lux	LFr60	Qatar	QR12.00
Bahrain	Din1.250	Hungary	Ft172	Malta	Lm0.60	S.Arabia	SR11
Belgium	BFr60	Iceland	IKr180	Morocco	MDh13	Singapore	S$4.10
Bulgaria	Lv25.00	India	Rs40	Neth	Fl 3.75	Slovak Rp	Kcs45
Cyprus	C£1.00	Indonesia	Rp3800	Nigeria	Naira25	Spain	Pta200
Czech Rp	Kcs45	Israel	Shk5.90	Norway	NKr16.00	Sweden	SKr15
Denmark	DKr15	Italy	L2700	Oman	OR1.50	Switz	SFr3.20
Egypt	E£4.50	Jordan	JD1.50	Pakistan	Rs35	Syria	S£50.00
Finland	FM12	Korea	Won 2500	Philippines	Pso45	Thailand	Bht50
France	FFr8.50	Kuwait	Fils.600	Poland	Zl 22,000	Tunisia	Din1.250
Germany	DM3.30	Lebanon	US$1.25	Portugal	Es215	Turkey	L7000
						UAE	Dh11.00

VW slashes its dividend after collapse in profits

By Christopher Parkes in Frankfurt

VOLKSWAGEN, Germany's struggling motor industry group, yesterday slashed its dividend and shook up its management board after reporting an 87 per cent profits collapse last year.

Group net earnings tumbled to DM147m ($89m) in 1992 from DM1.1bn in the previous year, and VW cut to DM2 the dividend on both ordinary and preference shares. In 1991, the respective pay-outs were DM11 and DM12.

Since VW delivered a record 3.52m vehicles last year, lifting sales revenues from DM76bn to DM85.4bn, the collapse in earnings will add weight to the popular view that the more cars VW sells, the less profit it makes.

More detailed information on the group's performance and prospects will be given at its annual press conference on March 31. Yesterday's bald figures gave little clue about the results from its array of brands, which include VW, Audi, Skoda and Seat.

The key new appointment yesterday was that of Mr José Ignacio Lopez de Arriortua, snatched from US-based arch rival General Motors in an unseemly tug-of-war over the weekend. He was named as director in charge of production and purchasing with immediate effect.

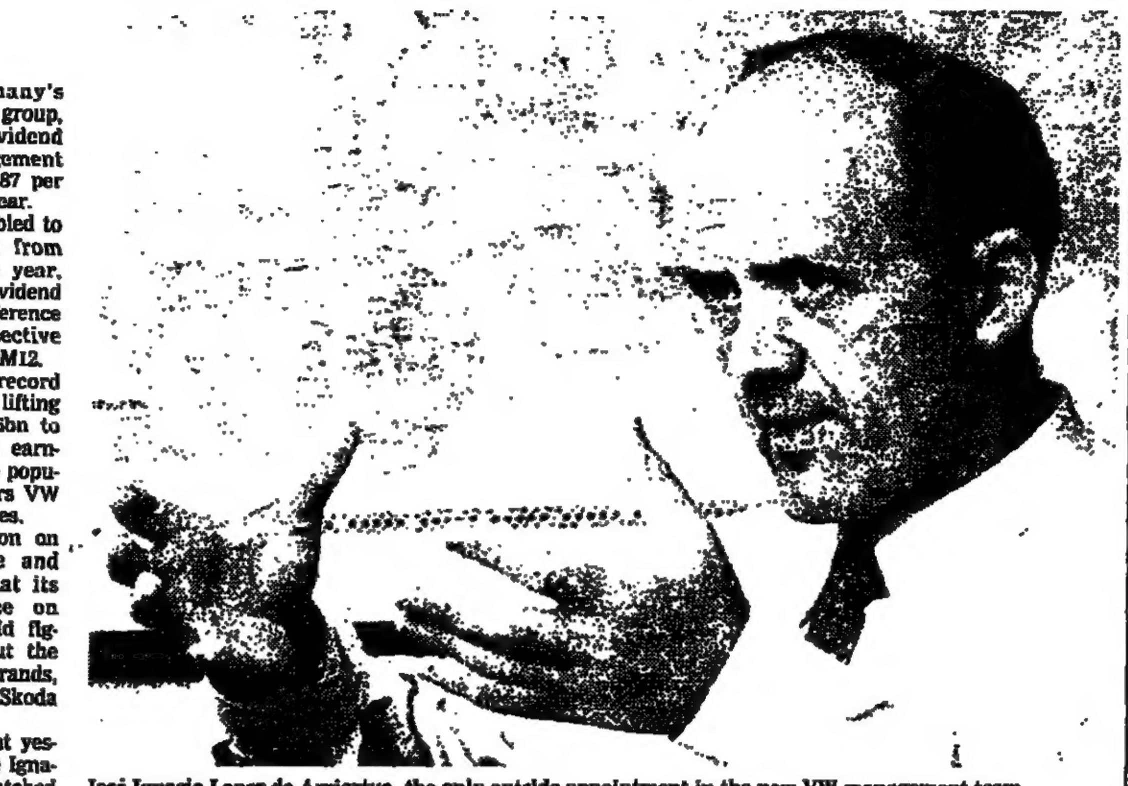
VW has already announced plans to shed 36,000 workers in an attempt to reduce its cost disadvantages and regain competitive position. This job-cutting programme is likely to be stepped up in future and run in parallel with a wide-ranging costs squeeze on component suppliers masterminded by Mr Lopez.

He was the only outsider to appear in the new management team picked by Mr Ferdinand Piëch, who has been group chairman since January 1.

Mr Piëch has invested much of his own credibility in his pursuit and capture of Mr Lopez, who comes with a reputation as an effective if idiosyncratic cost-cutter. Mr Lopez replaces Mr Günter Hartwich, who is to leave the company and in future will function as an adviser, the company said.

Mr Dieter Ullsperger, VW's finance director, lost his job yesterday. His place will be filled immediately by Mr Werner

Continued on Page 16



José Ignacio Lopez de Arriortua, the only outside appointment in the new VW management team

Party chief accused of receiving illicit funds denies any wrongdoing

Italian Liberal leader steps down

By Robert Graham in Rome

THE LEADER of Italy's Liberal party resigned yesterday. He is the third party head in a month forced to step down as a result of being implicated in the corruption scandals that have rocked the country.

Mr Renato Altissimo's move came after he was warned on Monday he was under investigation by Milan magistrates for allegedly receiving L50m ($32,000) in illicit funds from Enel, the national electricity authority. Mr Altissimo, who denied any wrongdoing, was one of 10 parliamentarians advised this week they were under investigation over Enel payments.

The small Liberal party is a partner in the four-party government coalition led by prime minister Giuliano Amato, but Mr Altissimo's decision is not expected to affect its stability.

Nevertheless, it underlines again the extent to which the corruption scandal is eroding the credibility of the traditional parties and removing well-known figures from public life. Already Mr Bettino Craxi, the Socialist leader, and Mr Giorgio La Malfa of the Republicans have had to step down after being accused of accepting illegal payments.

Mr Amato again came under fierce attack in parliament yesterday. In chaotic scenes in the Chamber of Deputies, Mr Amato was frequently interrupted by members from the neo-fascist MSI party and Lombard League as he concluded the debate on how to confront the crisis caused by the corruption allegations.

He urged parliament to adopt a bipartisan approach to dealing with corruption. But it was still unclear how the parties would agree on legislation to achieve a political solution to the corruption scandals.

In another development Milan magistrates began yesterday to leak excerpts of a confession by Mr Gabriele Cagliari, head of Eni, the state energy and chemical company, arrested a week ago.

He is said to have confirmed that Eni made illicit payments to political parties before he took over in 1990 and during his period as chairman. The magistrates have long regarded Eni as the heart of the system of illicit party funding.

The scale of parliamentary involvement in the scandal has also been underlined this week by action by other magistrates in Naples and Reggio Calabria.

In Naples three deputies are now under investigation in a new scandal over the privatisation of rubbish collection. The deputies include Mr Giulio Di Donato, the leading Socialist in Naples, and Mr Raffaele Mastrantuono, a Socialist and a member of the parliamentary commission charged with assessing whether to waive the immunity of members implicated in the scandals.

At the same time Mr Riccardo Misasi, a deputy and key figure in the Christian Democrat power structure of southern Italy, has been accused of corruption and links with the Mafia over contracts in Reggio Calabria.

Another new investigation has been opened with potentially far-reaching consequences – this time into the affairs of the agricultural finance consortium, Federconsorzi, which collapsed with huge debts in 1991.

Japan responds to pressure with plan to boost growth

By Charles Leadbeater in Tokyo

THE Japanese government will announce a second emergency package to stimulate the depressed economy before Mr Kiichi Miyazawa, the prime minister, visits Washington in mid-April for talks with US president Bill Clinton.

The move, which had been widely foreshadowed, was confirmed by ruling Liberal Democratic party leaders after a meeting with business leaders. It follows a Y10,700bn ($90bn) emergency package of public works spending announced last autumn, and reflects mounting domestic and international pressure on Japan to stimulate its economy.

The Japanese economy grew by only 1.5 per cent last year, according to official figures published last week. Most companies are expecting a third year of falling profits for the financial year to the end of this month.

Meanwhile, the US is likely to put more pressure on Japan to boost demand for imports in order to cut its ballooning trade surplus, which last month grew by 3.7 per cent from the year before to stand at $10.55bn, according to government figures published yesterday.

The details of the plan are far from agreed. Mr Seiroku Kajiyama, the LDP's secretary-general, said the package would have to be worth more than last year's Y10,700bn. The finance ministry is thought to favour a more limited stimulus of between Y6,000bn and Y8,000bn.

The contents of the package are also far from agreed. Support for an income tax cut, which was strongly backed by retailers, has waned over the past few weeks.

Instead the package is likely to focus on tax cuts for housing and small business investment, combined with higher spending on social infrastructure projects such as hospitals and schools. Universities and schools budgets to buy computers will be expanded, in part to help the ailing electronics industry.

Different wings of the LDP and several ministries are fighting over plans for government investment to upgrade the telecommunications infrastructure. Competing plans are being put forward by the ministries of posts, trade and industry, construction and transport. The finance ministry opposes government subsidies, arguing that investment should be funded by NTT, the privatised telecommunications group.

The rise in Japan's trade surplus for February was mainly caused by a sharp drop in the value of imports, which fell by 2.8 per cent. Exports fell by 0.5 per cent, mainly because exports to Europe were 14.4 per cent down on the same month last year.

Official version of history upheld, Page 4

CONTENTS

Deficit soars in UK as Lamont defers tax rises

By Peter Norman, Economics Editor, in London

MR Norman Lamont, Britain's chancellor of the exchequer, yesterday took a calculated gamble by leaving the UK economy to grow unhindered by big net tax rises in 1993-94 but announcing sharp tax increases from April 1994 onwards.

Presenting his budget to the House of Commons, Mr Lamont forecast a public sector borrowing requirement, or government deficit, of £50.1bn ($72bn), some £5bn higher than expectations. The budget for the financial year which begins next month envisages a net increase in taxation of only £490m – well below the £2.25bn tax rise expected in financial markets.

Following the recent example of President Bill Clinton, however, Mr Lamont announced substantial tax rises for later years and declared his intention to enact as many as possible into law by August. The measures announced yesterday will raise £6.73bn in extra taxes in 1994-95 and £10.3bn in 1995-96.

But the higher than expected deficit forecast for 1993-94 unnerved London financial markets. The forecast prompted a fall of 1¼ in the price of long-dated gilt-edged stock, and fund managers and brokers predicted an adverse reaction on the London stock market today. Sterling, however, rose against the D-Mark, as dealers interpreted Mr Lamont's remarks as signalling there would not be UK interest rate cuts in the short term.

Although Mr Lamont did not mention it, yesterday's budget marked a significant dilution of the Conservative government's earlier policy of balancing the budget over the economic cycle.

The Treasury Red Book issued after Mr Lamont's speech showed that the government is aiming to reduce the deficit to £39bn by 1995-96 and £30bn by 1997-98.

In five years' time, however, it envisages Britain's still having a deficit of 3¼ per cent of gross domestic product – more than the level specified as appropriate in the Maastricht treaty on European union – compared with 8 per cent forecast for 1993-94.

Mr Lamont said his budget was one for "sustained recovery" and

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■ Analysis Pages 10-11
■ Editorial Comment Page 10
■ Lex Page 16
■ Government borrowing requirements Page 8

for jobs "not just for this year and for next year – but right through the decade".

It bore the hallmarks of having paid close attention to the pleas of big industry and small businesses alike by announcing a two-stage reduction in advance corporation tax rates and more flexibility in the handling of penalties for late value added tax returns and misdeclarations.

Many of the tax increases announced yesterday were designed with more than one objective in mind and to interfere as little as possible with with the supply side of the economy.

Where he "gave away" tax revenues in the coming financial year, he made sure that there would be even bigger income flows for the government in future years. Mr Lamont used environmental arguments to justify higher taxes on domestic fuel and petrol in the coming years, for example.

VAT is to be levied on on domestic fuel and power from April 1994 – first at 8 per cent and after a year at Britain's full standard rate of 17.5 per cent – and duties on petrol and other road fuels will rise by at least 3 per cent in real terms in future budgets after a rise of 10 per cent in 1993-94. These measures will help the UK meet two thirds of its target for reducing carbon dioxide emissions under the UN Convention on Climatic Change.

Among a series of measures to deal with some of Britain's 3m jobless, Mr Lamont announced innovative plans for four pilot schemes that would give subsidies to employers to create jobs for the long-term unemployed.

He also announced a number of projects to boost investment in infrastructure with private finance. The Heathrow Express rail link between London's Paddington Station and Heathrow airport will go ahead as a joint

Continued on Page 16

Campaign suspected to bring Kiev back under Moscow's hegemony

Russia 'trying to isolate Ukraine'

By Chrystia Freeland in Kiev

SENIOR Russian officials have cautioned east European countries not *to form closer* political and military ties with Ukraine, according to officials in Kiev and western diplomats.

A senior official in the *Ukrainian* foreign ministry warned that in the past few weeks conservatives had taken over Russian foreign policy making, and had now launched a concerted campaign to *bring Ukraine* back under Russian hegemony.

The change in Russian attitudes towards Ukraine comes at a time when hardliners in Moscow have been winning a series of political showdowns with President Boris Yeltsin, forcing him to take a less conciliatory line to neighbouring states than he might otherwise adopt.

This month, for example, Mr Yeltsin called on the United Nations to give Russia special authority to police disputes in the former Soviet Union, eliciting protests from independent-minded *republics such as* Ukraine and Moldova.

"Russia's attitude toward its neighbours can now be compared to Germany's in 1939," the Ukrainian official said. "This is a crucial moment when the west must realise that the consequences of a policy of appeasement are as *dangerous as they were* in 1939."

Western diplomats in Ukraine say they are concerned about the new trend. One said Russian officials were warning east European countries "not to bother building large embassies in Kiev because within 18 months they will be downgraded to consular sections".

Mr Sergei Stankevich, a political adviser to Mr Yeltsin, recently warned Poland to limit growing political and military ties with Ukraine.

Speaking in Warsaw last month, Mr *Stankevich said Ukraine* and Belarus fell within Russia's sphere of influence and Russia was opposed to the increasingly cosy relationship between Ukraine and Poland in foreign and military policy.

In the past three months four Polish ministers, including the prime minister and *minister of defence*, have visited Ukraine and the Ukrainian minister of defence has recently been to Warsaw. Poland, which just over a year ago was the first country to recognise Ukraine, has signed a number of military and political agreements with its neighbour.

Ties are also growing between Ukraine and Hungary, where Ukrainian president Leonid Kravchuk travelled this month.

Mr Leonid Smoliakov, the Russian ambassador to Ukraine, has also recently been taking a tougher stance. He recently said that if the people of *Crimea, the contested* peninsula which is currently part of Ukraine, express a desire for self-determination, Russia would support their choice.

Western diplomats say Mr Smoliakov privately describes Ukrainian independence as a "transitional" phenomenon.

Regions weigh up Moscow power struggle

By Leyla Boulton in Moscow

FROM Sakhalin Island near Japan to Murmansk near Norway, Russia's regions are weighing up the consequences of the political crisis in Moscow with less trepidation than *President Boris Yeltsin*.

As Mr Sergei Shakhrai, Mr Yeltsin's chief legal adviser, met the heads of local emergency committees, local officials interviewed in a straw poll yesterday were sceptical about the need or likelihood of *extraordinary measures*.

While the legislative and executive branches battle it out in Moscow, Russia's 89 constituent republics and regions *are demanding* more freedom to run their affairs as promised in a federation treaty signed by all parties last year.

Under threat from a Congress of People's Deputies, Mr Yeltsin has argued that only a strong presidency can push through radical economic reforms and keep together a country spanning 14 time zones.

But Ms Zoya Kornilova, both a deputy and the official representative in Moscow of Sakha, the autonomous republic which produces most of Russia's diamonds, said the Congress had spared President Yeltsin a *humiliating defeat* by banning the referendum he wants. "He has enough powers. He just has not used them effectively," she said, adding that Sakha, better known as Yakutia, could not guarantee that a referendum would obtain a quorum.

Mr Ivan Shabunin, head of the regional administration of Volgograd in southern Russia which has forged ahead with *economic reforms*, dismissed a statement by President Yeltsin's spokesman that the Congress was trying to restore communism.

"We *just need to work*," he said, supporting a statement by regional chiefs calling for a moratorium on all elections and referendums this year and next. "Let those who started reforms carry them through and take responsibility for them."

Dr Vyacheslav Silin, deputy chief of the Murmansk regional administration, was alone among those surveyed in sharing the president's fears: he pointed out that if radical reforms were not allowed to succeed, regions would try to fend for themselves and accelerate a break-up of Russia.

But he said he doubted Mr Yeltsin could count on sufficient support from structures like the army to introduce presidential rule. With most Russians *disillusioned* with politics, many regional chiefs feared that a referendum turnout would be low.

Many are looking for change *from* the government of Mr Viktor Chernomyrdin, who has pledged tough financial policies *combined with the* removal of special tax privileges for individual regions and enterprises.

Mr Grigory Shamin, head of *the regional council* of Tomsk in Siberia, complained that last year the federal government had allowed regions only 19 per cent of revenues, but that individual regions, including Tomsk, had been able to keep 50 per cent after lobbying Moscow.

"Why don't they just give us all 40 per cent?" he asked.

Mr Viktor Sirenko, deputy governor of Sakhalin Island, said Moscow had to stop treating the regions "like slaves".

Spanish inflation falls to 4.7%

By Tom Burns in Madrid

SPAIN'S year-on-year inflation rate has fallen to 4.7 per cent, its lowest level since June 1988, the consumer price index for January published yesterday showed.

The January statistics, which were held over for a month while the index's weighting was overhauled, showed a CPI rise of just 0.9 per cent. *Figures for February*, which will be published midway through next week, are *expected to bring the 12-month* inflation rate down to below 4.5 per cent.

Domestic inflation began to peak in the third quarter of last year: Spain's GDP registered a negative growth over the last three months of 1992, −0.2 per cent, *and the CPI* ended last year with a rise of 5.4 per cent that was marginally down on the December 1991 figure. The markets had expected the recession to be reflected by a fast fall in the inflation rate at the start of this year.

Underlying inflation, which does not include the more volatile prices of non-processed foods and energy, fell by slightly less than the headline rate, to come down from 6.9 per cent at the end of December to 6.5 per cent in January.

The lower inflation rate, which is a direct result of the slump in domestic demand, has fuelled hopes for a cut in *the official intervention rate* early next week at the Bank of Spain's routine repurchase tender for its certificates of deposit.

Such expectations will be all the higher should the Bundesbank ease interest rates tomorrow.

Chemical spills spark debate

By Ariane Genillard in Bonn

CONCERN about safety and environmental protection measures in the German chemical industry intensified yesterday as parliament announced an *emergency debate on a series* of accidents at plants operated by Hoechst.

At the same time, *the federal* ministry of environment ordered a government commission to investigate Monday's chemical explosion at a *Hoechst plant near Frankfurt*, which left one worker dead and another suffering from third-degree burns.

Mr Klaus Töpfer, the environment minister, called for tougher application of the safety controls enforced by the *state-run Technical Inspection* Agency, TUV.

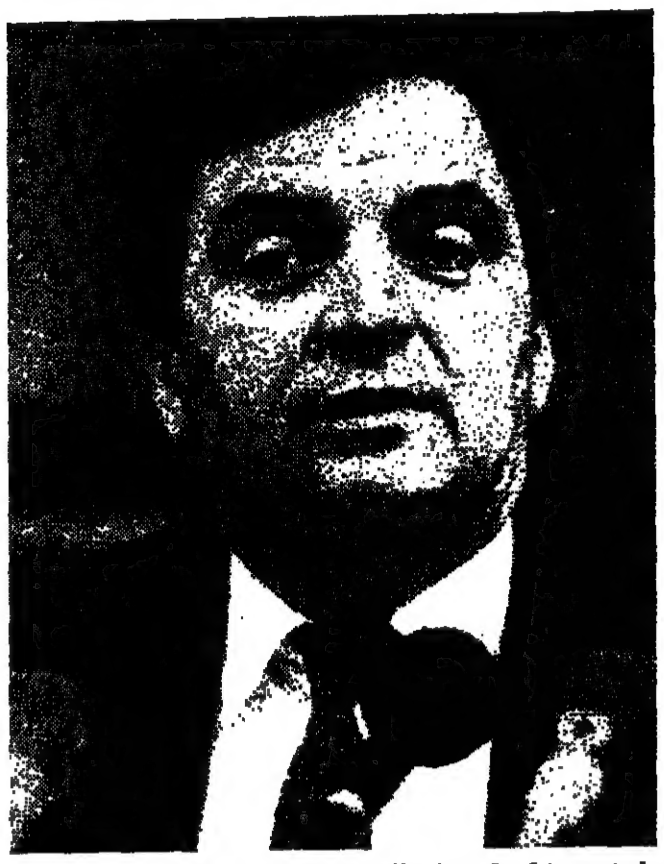
He said: "We have to bring in external expertise, for example by sending in the TUV to these plants to review safety precautions."

The German Chemical Industry *Association rejected* stricter controls, saying that chemical enterprises were already making all necessary safety checks in their plants. "I do not think that safety standards could be increased by external expertise," Mr Wilfried Sahm, chairman of the association, said.

But the explosion, *following* a series of accidents at Hoechst plants, amounts to a severe public relations setback for the chemical industry, which came under attack both in the press and among politicians yesterday. *Less than a month ago, an accident at Hoechst* released 10 tonnes of chemicals into the sky over a Frankfurt suburb. Last Friday 100 litres of a potentially poisonous solution were discharged into the Rhine.

Mr Michael Müller, environment *spokesman for the opposition* Social Democrats, said yesterday that 11 accidents in the space of a few weeks must produce some response from legislators. "Clearly, the current security measures are not adequate to reduce the potential *danger of chemical production*," he said. "It is a worrying sign that Hoechst itself cannot give precise information about the dangers resulting from the emissions."

The environmental group Greenpeace yesterday blockaded the main Hoechst *plant* near Frankfurt after the company refused to allow it to take samples of water and earth from the site.



Klaus Töpfer: called for tougher application of safety controls and the use of external expertise

Union threatens German steel strike

By Judy Dempsey in Berlin

THE German steel employers association meets tomorrow to decide its next step after the breakdown of arbitration talks with IG Metall, the country's *giant engineering* union, over a wage settlement for the east German steel industry.

The fifth round of talks unexpectedly broke down in Berlin after IG Metall rejected a 9 per cent pay offer by the employers association. IG Met*all said yesterday it would* continue to insist on a 20 per cent increase, agreed under a *programme of equalising* pay between western and eastern German workers by April 1994.

The union said it expected the employers to follow Gesamtmetall, the metal and electrical employers association, *in revoking the March 1991* contract when it meets tomorrow. The union said if that happened it would respond with warning strikes, followed *by a ballot on a full strike* if IG Metall's 20,000 members in east Germany did not receive *the 20 per cent pay rise* on April 1.

Rank-and-file support for such action is uncertain. Since Gesamtmetall revoked earlier this month the contract guaranteeing east German metal and electrical workers a 26 per *cent wage increase*, several factory managers in the region have started negotiating separate pay deals with the unions.

A foreign manager of a com*pany which has invested* heavily in eastern Germany, said yesterday he was prepared to offer a 15 per cent increase. "This is realistic in view of the fact that our productivity is 65 per cent of west German levels," he said.

IG Metall yesterday shrugged off moves towards separate wage agreements, *saying that warning strikes* would reveal whether its members were prepared to continue to pay west German prices while earning east German *wages*.

Germany warns on Romanian asylum-seekers

By Judy Dempsey in Berlin and Patrick Blum in Prague

GERMANY'S Interior Ministry yesterday said Romanians were beginning to renounce their citizenship to avoid repatriation once measures aimed at tightening the country's asylum laws were approved by *parliament next month*.

But the ministry warned Romania that it would be required to take back stateless citizens under international law, which states that people should be accepted by their last country of citizenship.

The announcement has fuelled fears that the country may be inundated with tens of thousands of would-be asylum seekers before the new measures are *introduced*.

The proposed constitutional amendments, among other things, will allow authorities on the borders to return to a third, "safe country" through which they entered Germany, refugees who cannot prove they are fleeing persecution.

More than 38,000 asylum-seekers arrived in Germany last month, and 20 per cent in the first two months of this year *more than the* same period in 1992. More than 7,800 came from Romania in January alone.

Meanwhile ministers from central and eastern European countries meeting in Prague yesterday failed to agree on a framework for a multilateral solution to deal with the expected flow of refugees likely to result from the tightening of the asylum law changes.

Ministers and deputy ministers from Austria, the Czech republic, Hungary, Poland, Slovakia and Slovenia agreed instead to speed bilateral agreements with individual states from which immigrants come.

A final communiqué said ministers would intensify their efforts to establish standar*dised agreements on the return* of refugees.

The countries represented at the meeting are nevertheless expected to agree to measures to strengthen their borders against the flow of thousands of would-be immigrants making their way westward in search of a better life.

Czech officials sought to put a brave face on disappointing results for a conference which *it was hoped would help soothe* German concern at lax border controls in central and eastern Europe and lay the ground for a broader solution to deal with *the thousands of immigrants* who might be expelled from Germany.

The Bonn government, whose decision to tighten its asylum laws followed a wave of violent anti-immigrant protests, was not invited to the meeting. But officials said the meeting did not aim to confront Germany but to find ways to improve co-operation on resolving the issue.

Several hundred thousand immigrants, many of whom travelled through Poland and the Czech republic, may be forced to leave Germany once the new asylum laws are enforced. Prague and Warsaw want to ensure immigrants are not dumped on their doorstep.

Talks soon on Norway joining EC

THE European Commission is expected next week to clear the way for talks on Norway's application to join the European Community, Commission officials said yesterday, Reuters reports from Brussels.

Adoption of an EC report at the Commission's weekly meeting next Wednesday will mean talks can open with Oslo during a formal ceremony at the April 5 meeting of EC foreign ministers in Luxembourg.

The ceremony will be televised, as were the opening of talks with Austria, Finland and Sweden on February 1.

Once talks are launched they should be brought quickly up to speed so they can proceed in parallel with the other three applicants, which have already held two rounds of talks.

Socialists call for steeper carbon dioxide reductions than planned

MEPs seek cut in emissions

By David Gardner in Brussels

THE Socialist group in the European Parliament called yesterday for a 20 per cent cut in EC carbon dioxide emissions by the year 2005 – a much steeper reduction than the target the Community is already struggling to meet.

The ambitious target is part of a list of 55 environmental measures the Socialists are *advancing as a programme the* EC should now take up with the same vigour the Community demonstrated in creating the single European market, which came into force this year.

The EC is committed to stabilising CO_2 emissions at 1990 levels by 2000, although Germany and Denmark have set themselves the 20 per cent cuts the Socialists are calling for by 2005, and Belgium and the Netherlands are aiming at 5 per cent cuts by 2000.

The 199 Socialists MEPs are the largest bloc in the European Parliament, and one of their number, Mr Ken Collins, Labour Euro-MP for Strathclyde East in Britain, chairs its environment committee, which has had significant influence *in shaping EC "green" standards.*

The committee is one of the most heavily-lobbied bodies in the EC, especially by industry.

The programme calls for early agreement on the controversial energy tax proposed by *the European Commission to* cut CO_2 emissions and combat global warming, and mandatory energy efficiency standards on a wide range of appliances such as boilers, washing machines and cars.

It would also introduce a *general duty for manufacturers* to take back and recycle "end-of-life" products, move towards a comprehensive system of environmental liability, and strictly enforce environmental impact assessment on construction projects and all EC-*funded programmes*, in and outside Europe.

EC environmental impact assessment rules have been an area of consistent friction between Brussels and all member states, particularly the UK, although the Commission has *been backing* away *from legal* action for fear of further upset in the tortuous ratification of the Maastricht treaty.

Under Maastricht, the European Parliament will get "co-decision," or a legislative voice equal to the Council of Ministers of the 12 in setting framework programmes for the environment. But it will still be consulted only on measures with fiscal, land use, water *resources or choice of energy* resources implications. Under EC rules only the commission can propose such changes.

Mr Collins, presenting the 55-point programme in Paris yesterday, said: "It is now eight years since the White Paper on the completion of the internal market, and the project is all but complete. We must now *plan for the* next decade and the big idea must be the environment."

Escudo knocked by conflicting signals

Peter Wise on a crisis of confidence after Portuguese central bank deputy chief's resignation

PORTUGAL'S financial markets, disoriented by contradictory signals from the government and the central bank, lapsed yesterday into a crisis of confidence after the resignation last Thursday of the *bank's deputy governor in an apparent* policy rift with the government.

The Bank of Portugal said it had again had to intervene to defend the escudo from speculation as the currency opened at a low Es93 to the D-mark. Heavy central bank buying through the day drove it back up to Es92.63, dealers said. Immediately after the resignation of Mr Antonio Borges the escudo fell to a record low of Es94.

The crisis stems from government *ambiguity about whether it intends* to maintain a policy of a strong escudo and high interest rates or it is preparing to relax exchange-rate and monetary policy to foster faster growth.

"The government has left the market perplexed about whether its is preparing an about-turn in economic policy or it plans to maintain its tough stance," said Mr Jose Tavares *Moreira, a former governor of the* Bank of Portugal.

The crisis seems almost unreal. Until now, the centre-right Social Democratic government and the central bank have worked closely together in pursuing a strong escudo and tight monetary policy as the key weapons against Portuguese inflation, which fell from 11.4 per cent in 1991 to 8.9 per cent in 1992.

But not everybody is celebrating. Expensive money and high export prices caused by the escudo's strength are taking a heavy toll in agriculture and traditional industries such as textiles, garments and footwear. Protests from industry are constant and farmers have tipped wine and potatoes they are unable to market on the steps of government offices.

"These are difficulties of the transition of the Portuguese economy that were *foreseeable* as soon as we joined the EC in 1986," says Mr Miguel Namorado Rosa, chief economist with Banco Comercial Portugues.

Mr Borges at the central bank had also often warned of the casualties that Portugal would face when it came to transferring resources from non-competitive *to competitive sectors*. He was respected for his firm line and professional competence and appeared to have full government backing.

But doubts were raised about the government's *commitment to the* fight against inflation in a speech last Thursday by Mr Jorge Braga de Macedo, finance minister. He called the central bank to task for not listening to the needs *of the real economy* and not lowering interest rates faster.

The immediate result was Mr Borges's resignation and deep concern in the financial markets. Was the government now going for growth at the expense of inflation? Mr Anibal Cavaco Silva, the prime minister, had just fueled market suspicions by announcing an Es270bn (£1.22bn) housing programme to wipe out shanty towns and slum dwellings that would boost the construction industry. He admitted the programme would worsen the budget deficit.

But the Bank of Portugal already enjoys considerable independence and it seems clear that Mr Borges was expected to ignore the finance minister's remarks. There are important local elections in Portugal in December and the minister may, analysts believe, simply have been trying to *make* the right noises.

The government, though, is in a bind of its own making. With the elections in view, it cannot openly reverse its calls for lower interest rates but it badly needs *to repair the damage* it has done to the escudo.

"The finance minister's speech was for consumption by worried industrialists, farmers and commercial companies," says Mr Namorado Rosa. "The aim is to give the impression that the government wants to be more flexible but in reality nothing is going to change."

Supporting this *view is* the fact that Mr Miguel Beleza, governor of the Bank of Portugal, has stayed at his post. The central bank has even edged up its intervention rates slightly.

The Financial Times (Europe) Ltd
Published by The Financial Times (Europe) GmbH, Frankfurt Branch, Nibelungenplatz 3, 6000 Frankfurt-am-Main 1; Telephone 49 69 156850; Fax 49 69 5964481; Telex 416193. Represented by E. Hugo, Managing Director. Printer: DVM GmbH-Hürriyet International, 6078 Neu-Isenburg 4. Responsible editor: Richard Lambert, Financial Times, Number One Southwark Bridge, London SE1 9HL. The Financial Times Ltd, 1993.

Registered office: Number One, Southwark Bridge, London SE1 9HL. Company incorporated under the laws of England and Wales. Chairman: D.E.P. Palmer. Main shareholders: The Financial Times Limited, The Financial News Limited. Publishing director: J. Rolley, 168 Rue de Rivoli, 75044 Paris Cedex 01. Tel: (01) 4297 0621; Fax: (01) 4297 0629. Editor: Richard Lambert. Printer: SA Nord Eclair, 15/21 Rue de Caire, 59100 Roubaix Cedex 1. ISSN: ISSN 1148-2753. Commission Paritaire No 67808D.

Financial Times (Scandinavia) Vimmelskaftet 42A, DK-1161 Copenhagen-K, Denmark. Telephone (33) 13 44 41. Fax (33) 935335.

NEWS: EUROPE

Serb leader pledges to let convoys pass

By Robert Mauthner, Diplomatic Editor

MR Radovan Karadzic, the Bosnian Serb leader, yesterday gave an undertaking to the United Nations High Commissioner for Refugees that blocked relief convoys would be allowed to pass through Serb lines to besieged Moslem towns in eastern Bosnia.

The UN High Commissioner, Mrs Sadako Ogata, yesterday received an assurance to this effect from Mr Karadzic, whom she had telephoned from Geneva.

The Bosnian Serb leader, it was reported, was speaking in the presence of President Slobodan Milosevic of Serbia.

UNHCR spokeswoman Lyndall Sachs said that Mr Karadzic had also promised that aid workers would be allowed to enter the besieged town of Srebrenica and that the sick and wounded could be evacuated.

Combatants would also be allowed to leave, on condition that they surrendered their arms.

However, the UNHCR had earlier said that it would not allow any convoys to proceed to Srebrenica, after the Serbs had refused to allow them to have a military escort or radio communications.

According to UNHCR officials, some 60,000 people were cut off in Srebrenica, which UN relief convoys have failed to reach in 11 months of fighting and where dozens of people a day are dying of hunger, starvation, disease and war wounds.

In addition, thousands of refugees from neighbouring Moslem townships captured by Serb militias have swollen the population of Srebrenica and many are sleeping in the open air and suffering from exposure.

Mr Karadzic was due to fly to New York yesterday for peace talks with leaders of the other warring parties, under the chairmanship of Mr Cyrus Vance and Lord David Owen.

President Alija Izetbegovic of Bosnia, the Moslem leader, was also reported to have left for New York from Sarajevo to attend the peace negotiations.

Ms Sachs said that General Philippe Morillon, the UN military commander in Bosnia, who has set up temporary headquarters in Srebrenica in an attempt to make the Serbs let in aid, was due to have more talks later with Bosnian Serb army commanders.

France, which has expressed full support for General Morillon, said yesterday that getting international aid into Srebrenica was a test of Serb will to contribute to the peace process in Bosnia.

A French Foreign Ministry spokesman said that continued obstacles to the delivery of humanitarian aid to Srebrenica would be a serious blow to the UN Protection Force in the former Yugoslavia.

Socialists to pay price of jobs failure

Persistent unemployment is the big issue in the French election, writes David Buchan

ASSEMBLÉE NATIONALE
Elections '93

IF THERE is one overwhelming reason why France's Socialist ministers seem certain to lose their jobs in this month's parliamentary election, it is the country's unemployment rate, standing at 10.5 per cent in January and expected to go higher.

This issue has occupied more broadcast airtime and filled more newspaper column inches than any other in the campaign. All the more so because the mainstream parties are not united within themselves on the best prescription for unemployment – although, broadly, the right wants to cut labour costs while the left prefers work-sharing.

Only on the extremes are simple solutions offered. Mr Georges Marchais, the Communist party leader, plugs on for a reduction in the working week from 39 to 35 hours with no cuts in pay, while Mr Jean-Marie Le Pen, the National Front leader, blames immigrants for displacing French workers.

France's unemployment rate is no worse than Britain's or Italy's, and better than Spain's, despite some calculations by the opposition. The latter claims the true number of jobless is nearly double the 2,992,600 recorded in January. To arrive at a total of 5m-6m French citizens "excluded" from the labour market, they include not only young people in government short-term work schemes but everyone drawing welfare payments.

Yet France has special problems. One is that its unemployment rate seems to rise just as fast as other countries' in bad economic times, but to fall far less during good times. Its jobless rate hit 10.5 per cent in 1987, but in the three following boom years, it fell only 1.5 percentage points, compared to a 3-point drop in (western) Germany and a 5-point fall in Britain.

Predictably, this puts a high share (30 per cent at present) of people into the category of the long-term unemployed, defined as those without a job for more than a year. When he took office last April, Prime Minister Pierre Bérégovoy made a bold, not to say rash, promise to take all long-term unemployed (some 900,000 at the time) off the dole queues within six months.

Virtually all the long-term jobless were given in-depth interviews. Some found a place in the labour market and many others were put in training schemes. But it was like trying to keep the Atlantic out with a mop. By November, for every person taken off the dole, someone else had fallen into their 13th month of unemployment.

Another black spot is youth unemployment. Of those under 25, one in five is without a job. Part of the blame lies with France's generally excellent school system, which reserves technical and vocational training for those who have passed its all-round educational tests. Hence, tailoring a more specific apprenticeship system to France's unemployment as well as industrial needs has been a big theme of the campaign.

A study published by the Paribas bank yesterday claims that the country's guaranteed minimum wage, known as the SMIC, is in large part responsible for pricing the least qualified workers out of the job market. It notes that the SMIC has doubled in real terms over the past 20 years, rising far faster than average pay.

When he was finance minister, Mr Bérégovoy suggested a lower SMIC for young workers. But he got no support from fellow Socialists, and even the opposition has steered away from altering the minimum wage.

But the opposition has attacked the French system of loading most of the cost of the welfare system not on general income tax but on company payrolls. These "social charges" can add an extra 40 per cent to the cost for an employer of taking on a new worker. The opposition's general thrust has been to call for these charges to be gradually transferred to the national budget and financed out of general taxation. But, in the short term, the RPR Gaullists and centre-right UDF disagree over precisely how to do this without increasing the already swollen budget deficit.

Virtually the only new Socialist theme during the campaign has been work-sharing, the idea of spreading available work around more people. Mr Jacques Chirac, the RPR leader, has ridiculed this as unfeasible because those in existing jobs will not accept less pay for less work. Most Socialists, including Mr Chirac's expected presidential challenger in 1995, former prime minister Mr Michel Rocard, have conceded that work-sharing would mean pay cuts. But others point out that extra productivity can both maintain pay rates and increase employment.

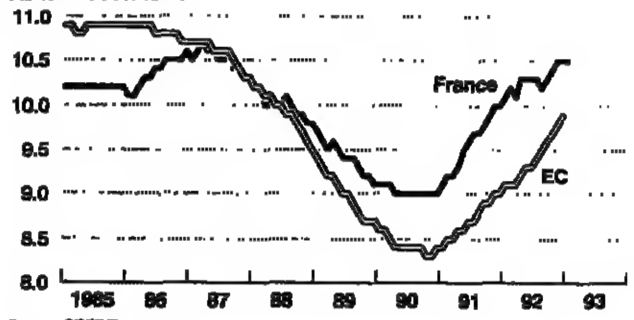
One result of the debate about unemployment has been initiatives by employers, such as that by the AXA insurance company in suggesting employment for life in return for flexible work patterns and lifetime training.

See Editorial Comment

French farmers throw potatoes at riot police in Pontivy, north-east France. Some 800 farmers on Monday dumped 8,000 tons of potatoes on the road, cutting off the town for several hours, in a protest aimed at demanding government compensation for a drop in potato prices.

Unemployment rates

As % of labour force



Source: OECD/Datastream

Economists urge Emu fast track

By David Buchan in Paris

FOREIGN exchange markets need a fast-track move by Europe's strong currency countries towards closer monetary co-operation to convince them of the feasibility of economic and monetary union (Emu), a group of senior French economists said yesterday.

The group, assembled by the Commissariat du Plan, the French government think-tank, issued a report calling for "an informal Emu among the hard-core countries" of the present European Monetary System.

This could start once the Maastricht treaty was ratified, and take the form of "semi-institutional" agreements by the hard-core countries to stabilise their currency parities, the study said.

Mr Jean-Michel Charpin, senior economist at the BNP bank who presided over the group study, said last September's monetary crisis had sown serious doubts in the markets about Emu's feasibility. These doubts could only be removed by a new initiative, he said. Creating a network of specially close monetary co-operation between some EC states would not be contrary to the Maastricht treaty, and could be achieved within the framework of the European Monetary Institute to be set up under the treaty, the report claimed.

The report reflects similar sentiments inside the French presidency and in the opposition, which has pledged to give autonomous status to the Banque de France soon after its expected election victory this month. But, in contrast to the economists, most French politicians do not want to say anything in public which could jeopardise ratification of the Maastricht pact in Denmark and Britain.

NEWS: INTERNATIONAL

● Jiang Zemin, party general secretary, wipes his brow as he speaks to Prime Minster Li Peng at yesterday's financial meeting

● A delegate at the National Peoples Congress finds the two hours of financial speeches tedious during the second day of the Congress in Beijing's Great Hall of the People

● Another delegate finds state planning speeches and budget forecasts too much

● Governor Chris Patten appears wind-swept as he answers press questions yesterday

China reduces deficit and increases defence spending

By Tony Walker in Beijing

CHINA'S budget deficit would reach Yuan 84.4bn ($14.7bn) for 1993, a slight decrease on the actual deficit recorded last year, Mr Liu Zhongli, finance minister, announced yesterday. He also pledged an increase in defence spending of 12.4 per cent to $7.5bn.

Speaking on the second day of China's National People's Congress, or parliament, Mr Liu said mismanagement and waste in state-run organisations and a shortfall in tax revenues had contributed to "great financial difficulties."

Some two-thirds of China's state-owned industries, which account for about 50 per cent of industrial production, racked up huge losses last year, adding to burdens on the exchequer. Last year's deficit reached Yuan 90.49 ($15.7bn), or about five per cent of GNP. The 1992 deficit represented an increase of 24.6 per cent on the previous year.

Mr Li said total revenues this year were expected to reach Yuan 452.23bn ($78.6bn), an increase of eight per cent over 1992. Expenditures were projected at Yuan 472.7bn ($82.2bn), up 6.8 per cent.

This year's boost to defence spending will mark the fourth year in a row that the military will receive a substantial increase; however, published expenditures for the services account for only a relatively small proportion of the actual cost of maintaining China's offensive capability.

Mr Liu also announced increased spending of about 9.8 per cent on education and 10.8 per cent on science and technology.

Investment in agriculture will increase by 9.3 per cent.

Chinese officials also outlined planning targets for the coming year based on anticipated growth in gross national product of 8 per cent.

Mr Zou Jiahua, the vice premier in charge of the state planning commission, said these estimates were conservative and it was "expected they would be exceeded in implementation."

Mr Zou said the demands of new investment would continue to drive the economy in 1993. He predicted that activity would continue to be "rather brisk." China registered economic growth last year of 12.8 per cent.

Mr Zou reported that in 1992 committed foreign investment in China doubled compared with the previous year. China absorbed $11bn of foreign funds, and approved 47,000 foreign-funded enterprises in 1992, more than the total of the previous dozen years.

On Monday, Mr Li Peng, the premier, forecast growth in the remaining years of the 1991-95 five-year plan of 8-9 per cent. This would enable China to achieve its goal with time to spare of quadrupling GNP between 1980-2000.

Ministers yesterday also revealed more details of a comprehensive restructuring of ministries and government departments to reduce duplication and waste. A number of ministries will either go or be merged, and staff slashed across the board.

The NPC, which will meet for the next two weeks, will endorse constitutional changes, and approve the appointment of new personnel, including a head of state and several vice premiers.

Beijing unleashes fury on Patten

By Tony Walker and Simon Holberton

HONG KONG'S governor Chris Patten came under vituperative attack yesterday in the People's Daily, newspaper of the Chinese Communist party.

Singling out Mr Patten's observation that it "takes two to tango" in reference to stalled negotiations on Hong Kong's future, the party newspaper charged that "tango dancing has made Chris Patten's head dizzy and speech incoherent".

"Just as Hong Kong was going on a road of peaceful transition, God knows how, there comes a Chris Patten," the paper said. "We'd like to warn this shameless politician to stop his clumsy show. Mr Patten, the tango dancer, come back to your senses."

Beijing has been infuriated by Mr Patten's gazetting last Friday of proposed legislation aimed at extending Hong Kong's democratic reforms. It has charged this marks a betrayal of earlier agreements reached with Britain on a smooth transition to Chinese rule in 1997.

British officials in Beijing said they were waiting for the dust to settle on almost constant attacks levelled against Mr Patten since last Friday before making judgments about possible diplomatic moves to quieten the tempest.

'Just as Hong Kong was going on a road of peaceful transition, God knows how, there comes a Chris Patten. We'd like to warn this shameless politician to stop his clumsy show.'

In Hong Kong a senior official of Bank of China warned that the colony's economy would suffer from "the instability" Mr Patten's reforms would bring to Hong Kong. Mr Lin Gunagzhao, the bank's deputy director, said Hong Kong's real growth rate could be cut by up to 1 percentage point this year from the 5.5 per cent the Hong Kong government forecast in its budget.

Mr Lin said he feared the stock and property markets would be affected by the current political uncertainty. "The knock-on effects caused by the influence on the property sector will spread to even wider areas."

Mr Patten was, however, unbowed yesterday. After a meeting of his Executive Council, or quasi-cabinet, he said the government planned to continue working for the interests of ordinary people in Hong Kong. He said he would continue to discuss the future of Hong Kong "positively and constructively".

In an implicit criticism of Mr Li Peng, China's prime minister, who on Monday launched a vehement attack on the government, Mr Patten said: "I don't intend to use the sort of language which is very often being used about Hong Kong by others."

The Hong Kong stock market has seen steep falls in share prices over recent days as investors took fright after China criticised Mr Patten's reforms. Stock market analysts said that in the absence of these attacks there would probably have been a rise in share prices.

Yesterday the market recovered some of the losses sustained in trading last Friday and on Monday. The Heng Seng Index rose 125.43 points, or more than 2 per cent, to end at 5,980.04.

Government figures also showed a strong rebound in property market transactions in February when turnover rose 105.6 per cent from January's exceptionally low level. Property transactions in the first two months of 1993 were 5.3 per cent up on that same period last year.

Seoul plays down N Korea tension

By John Burton in Seoul

SOUTH KOREAN defence officials said yesterday they had not detected any unusual military activity in North Korea in spite of the country being placed on a "semi-war" footing last week.

Pyongyang took the step in response to the large US-South Korean Team Spirit military exercise, while also withdrawing from the nuclear non-proliferation treaty.

The Seoul officials said current military movements in North Korea were consistent with battle mobilisation measures taken in reaction to previous Team Spirit exercises, which have been held since 1976.

Mr Kwon Young-hae, South Korean defence minister, told the National Assembly that Seoul had consulted Washington on the possibility of some of the US troops taking part in Team Spirit staying in South Korea after the exercise ends tomorrow.

But defence officials said if North Korean military activity remained normal, this request was unlikely to be made.

The US military command in South Korea said there was no change so far in plans to take the 55,000 US troops mobilised for Team Spirit from the country.

The exercise tests US ability to reinforce its 38,000 troops in South Korea in the case of war.

North Korea has routinely condemned such exercises as a threat to its security and by putting troops on increased alert. Pyongyang has also used the exercises as a pretext to break off previous negotiations with Seoul about nuclear inspections.

The Team Spirit exercise this year coincided with the International Atomic Energy Agency's demand that North Korea let it inspect two suspected nuclear facilities by March 25 or face possible economic sanctions by the UN Security Council.

The decision to place North Korea on a "semi-war" footing on March 9, the day Team Spirit began, was made by Mr Kim Jong-il, son of President Kim Il-sung and his designated successor, according to Naewoe, the South Korean agency that monitors North Korean news.

Mr Li Chol, North Korean ambassador at the UN in Geneva, said his country might reverse its decision on withdrawing from the nuclear non-proliferation treaty if the US permanently suspended Team Spirit, according to Japan's Kyodo News Service.

He also said the IAEA should "stop obeying the only superpower", meaning the US, and that it should operate in an impartial manner.

He suggested that the IAEA had made its demand for a special inspection of the North Korean nuclear facilities on US orders.

Iranian exile shot dead

A PROMINENT figure in the Iranian exiled opposition, Mr Mohammed Hussein Nagdi, was shot dead in Rome yesterday by two unidentified gunmen, writes Robert Graham.

The killing was denounced by the Iranian opposition as the work of agents of the Tehran government. The murder was condemned by the Italian Foreign Ministry and members of parliament, who pointed out the Iranian opposition was not as active in Italy as in France, the UK and Germany.

Mr Nagdi was killed as he went to work yesterday morning at the offices of the Iranian opposition in Rome. Two youths on a scooter opened fire seriously wounding him but leaving his chauffeur unharmed. Mr Nagdi was dead on arrival at hospital.

Before the Iranian revolution, Mr Nagdi had worked in the Rome embassy and stayed on after siding with anti-Khomeini movement. According to Italian security forces, he was considered a person at risk and was granted a part-time escort.

Mr Abolhassan Bani Sadr, the former Iranian president now in exile in Paris, claimed yesterday that Tehran regime was preparing a series of attempts on the lives of opposition figures in Europe. He said German police had recently discovered a list of suspected targets – 11 in Germany, 12 in France, three in the UK and one in Britain.

Israel violence hits peace hopes

By Roger Matthews in Jerusalem

ONE Palestinian was killed and more than 60 suffered bullet wounds in Gaza yesterday, as intensified violence in the occupied territories cast a deeper shadow over the prospects for a resumption of Middle East peace negotiations.

The mood in the occupied territories and Israel itself contrasts strongly with the upbeat assessment of the peace process provided by President Bill Clinton and Mr Yitzhak Rabin, Israel's prime minister, after more than three hours of talks at the White House on Monday.

A spokesman for Mr Rabin said he would be returning three days earlier than expected from the US in order to address the problem of worsening violence.

The clashes yesterday between Palestinian demonstrators and Israeli troops at the Khan Younis refugee camp in Gaza were said to be the worst since the outbursts which followed the deportation of 415 Palestinians by Israel to southern Lebanon in December.

Palestinian negotiators insist they will not resume peace talks until Israel makes a public commitment not to resort to mass deportations in future.

Mr Clinton said on Monday that the deportation issue had already been dealt with and had not featured in his talks with Mr Rabin. This further angered the Palestinians and Mrs Hanan Ashrawi, the spokeswoman for the negotiating team, said it was a mistake for the US and Israel to think they could just push the issue to one side.

In Gaza, doctors said that a 17-year-old boy died after being shot in the chest and they had treated many more with bullet wounds, four of whom were in a serious condition.

Israeli troops opened fire several times on stone-throwing Palestinians who had taken to the streets after the lifting of a curfew on the Khan Younis camp.

The latest clashes come against deepening concern in Israel over attacks on Jewish civilians by individual Palestinians.

Mr Moshe Shalal, the police minister, responded to rising demands for official action by promising "not to allow the Palestinians, the Arabs and the terrorists to defeat us". Police leave has been cancelled and recruitment is to be stepped up.

At least 10 Israelis and 58 Palestinians have been killed since the upsurge in violence provoked by the expulsion of the 415 Palestinians.

Further Israeli action can be expected after Mr Rabin returns from the US, with growing calls for the physical isolation of the Gaza strip from Israel if there is no reduction in the level of violence.

Bomb damages Egyptian tour buses

By Mark Nicholson in Cairo

A BOMB explosion damaged seven empty tour buses parked yards away from the Egyptian Museum in Cairo's busiest square yesterday, one of a series of attacks a week after Egyptian security forces launched a tough crackdown on suspected Islamic militants.

Tourists had left the buses for the Egyptian Museum, one of Cairo's most popular attractions, just 100 yards away. No one claimed responsibility. But it appeared a defiant gesture from Islamic militants who have waged sporadic attacks on tourist targets for much of the past year – considerably hurting Egypt's precious tourism earnings.

The explosion took place during the midday rush in Tahrir Square, scene last month of a coffee-shop bombing which killed three.

It came in the teeth of tightened security at all Egypt's tourist centres and intensified operations against suspected members of the Gama'a al-Islamiyya, the underground Islamic group behind most recent attacks.

Bus drivers in Tahrir Square said their vehicles had been searched for bombs just 30 minutes before the blast.

An explosive device was also found and defused in a building housing "foreign experts" in a central Cairo suburb, according to the semi-official al-Ahram news agency.

Meanwhile, militants launched three bomb attacks on police in Aswan, the tourist centre in Upper Egypt where police last week stormed a mosque and shot dead nine alleged members of the Gama'a al-Islamiyya.

The clashes follow a week of incidents as Egyptian security forces have followed up the Aswan raid and simultaneous dawn raids last week on eight alleged militant hideouts in Cairo in which a total of 23 people died.

A total of 35 thirty-five alleged militants were arrested and one policeman killed during a security sweep in Assiut, Upper Egypt, on Monday, the same day security forces were reported to have rounded up 424 people in Alexandria.

The US embassy on Monday called in around 40 members of the US business community to discuss security, following a threat earlier this month by Gama'a al-Islamiyya to attack foreign investments.

The embassy stressed only that businesses should step up routine precautions.

"There was no recommendation to leave Egypt or take any drastic measures," said one businessman present.

Algerian ex-minister murdered

A FORMER minister was shot dead as he left his home in suburban Algiers yesterday, AP reports.

The official Algerian news agency APS said Mr Djilali Llabes, 45, was shot at his home in Ben Omar by three gunmen who fled. The gunmen shot him three times in the head, witnesses said. Ben Omar is in south-east Algiers near Kouba, a stronghold of Moslem militants, who have faced a tough government crackdown for more than a year.

Mr Llabes left government last July to head the National Institute of Strategic Global Studies. He was numbered among intellectuals known to be sympathetic with the army-backed committee running the country and against the Islamic extremists.

He was a former professor of sociology and had directed several political research studies before joining the government in June 1991.

Mr Llabes was recently named head of the "Group of Experts 2015", to draw up a study on Algeria's future.

The murder was the second attack on a politically prominent intellectual in three days. On Sunday Mr Hafid Senhadri, chief of staff at the Ministry of Vocational Training, was seriously wounded by gunmen in a stairwell of the building where he lived. He remains in a coma.

S African budget must address conflicting aims

Philip Gawith reports on the harsh constraints on Derek Keys as he presents his plans today

MR Derek Keys, an accomplished bridge player and a self-acknowledged "deal-maker", will be hard pressed to pull any tricks from the dog-eared fiscal hand he has been dealt when presenting South Africa's budget to parliament this afternoon.

Expectations of the country's finance minister are high. It is a measure of the importance of today's budget that it has managed to overshadow, in recent days, the country's normal political preoccupations.

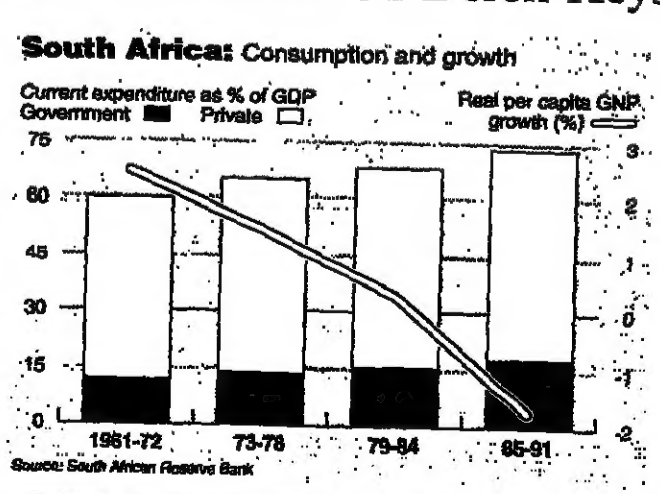
And while taxation changes will enjoy the normal close scrutiny, the focus of attention will be on the bigger picture. Observers are hoping Mr Keys's first budget, and probably the National party's last, will mark a new era in the management of government finances.

In this sense, it is the second instalment in a two-part package. Last week saw the long awaited release of the government's economic restructuring plan – a 305-page document which details the dramatic changes required if South Africa is to achieve the sort of economic growth necessary to finance the developmental challenges it faces.

Mr Keys, former chairman of the mining house Gencor, needs to breathe some life into an economy moribund after four years of recession, and start the long-term task of economic restructuring.

The past months, however, have seen the minister also place considerable stress on two other goals – reducing the deficit and stimulating growth – which are not only in conflict with each other but, at least in the case of stimulating growth, clash with the longer-term restructuring aims.

Reconciling these goals, stimulatory against contractionary, would be difficult at the best of times. These, however, are not the best of times and Mr Keys faces constraints which will severely limit his room for manoeuvre. Chief among these are the weak state of the economy – showing no signs of an upturn after four years of recession – and a budget deficit for fiscal 1992-93 likely to be in the order of 9 per cent of gross domestic product.



Perhaps the best that Mr Keys can hope for is that he presents a budget which enjoys credibility. First, and most obvious, he will have to come up with a credible set of numbers. Revenue and spending estimates made by the government in recent years have been woefully inept. The challenge this time will be to produce a deficit reduction plan which is not premised on heroic and unachievable cuts in government spending, and pie-in-the-sky estimates of economic growth.

Best estimates suggest the budget deficit target is likely to be R25bn (£5.6bn), or 6.5 per cent of GDP. Less than that would not only stretch the credulity of the bond markets, but would also risk aggravating the current recession. The reduction is most likely to be achieved through a real decline in government spending – certainly in the consumption component – and an increase in the VAT rate, probably to 13 per cent from 10 per cent now.

Second, he will be required to prove the government's commitment to restructuring, as outlined last week, by making a serious attempt to implement these goals. A good start has already been made with the government standing firm in its refusal to offer civil servants – whose wage bill is more than half of all state spending – a wage increase of more than 5 per cent.

Finally, and perhaps most important, his budget will have to enjoy credibility with the African National Congress, the main black political grouping, and its trade union ally Cosatu. Without their support – or, at least, the absence of outright opposition – sane economic management in South Africa is impossible. Mr Keys has acknowledged this, so it can be expected that he will go to some lengths to put a "human face" on the budget, stressing its developmental as well as its growth features.

With unsurprising rhetoric, both the ANC and Cosatu have branded the budget an "apartheid budget". But they have come closer to putting their finger on a matter of real public concern in focusing on the expenditure side of the budget. To a large extent Mr Keys has been a supply-side minister, his efforts devoted to improving the growth capacity of the economy. In recent months, however, a flood of revelations about government corruption and maladministration have given South Africans the impression of a "gravy train" for those in state service.

Most businessmen and taxpayers would endorse the ANC's calls for performance auditing and greater transparency in the spending of public money. The public mood demands that Mr Keys try to show that the government is getting value for money from its spending.

For business and consumers, while he will not shirk delivering some tough messages, he will also be doing his utmost to stimulate confidence. Finding this trump card, though, will test even Mr Keys's ingenuity.

Japan court backs official history

By Robert Thomson in Tokyo

JAPAN'S Supreme Court has ended a 31-year dispute by ruling that the Ministry of Education has the right to change textbooks to ensure that a "standardised" version of history is taught in schools.

The ruling ends a legal challenge by a former Tokyo professor whose text, A New Japanese History, was rejected in 1962 by the ministry, essentially because it contained a blunt assessment of Japan's military aggression in Asia during the 1930s and 1940s.

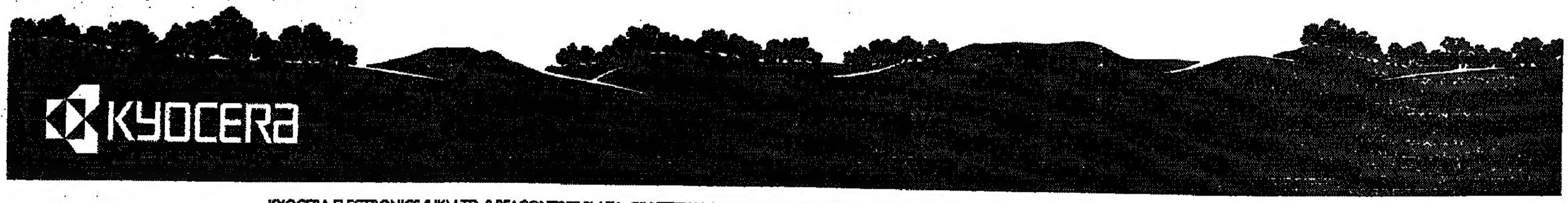
China and South Korea have complained that the ministry's control over textbooks and its use of euphemism to describe wartime brutality have left younger Japanese ignorant of the past.

Mr Saburo Ienaga, 79, a former professor at the Tokyo University of Education, said the rejection of his case against the ministry violates the Japanese constitution by allowing the government unrestricted power to censor school texts. "This decision makes me very angry. I think it is very disappointing for Japan," said Mr Ienaga, who was appealing against a lower court decision to dismiss a Y1.9m (£11,000) suit filed by him against the ministry.

Passages of the high school text rejected include a description of the Japanese army's advance as "reckless".

The Supreme Court ruled that the ministry had the right to recommend changes or disqualify texts as long as its decisions are "reasonable", and that its reservations about Mr Ienaga's history book were reasonable. However, the court warned the ministry that its power should be used selectively.

Ms Mayumi Moriyama, the education minister, said the court's ruling was welcome because the ministry should retain the right to determine the content of school texts and standardise history lessons, though this power must be used "appropriately". In a 1974 ruling, the Tokyo District Court awarded Mr Ienaga Y100,000 after judging that 19 of the ministry's 200 objections to his work were unfair. But in 1986 the Tokyo High Court overturned that ruling.


KYOCERA

New Jersey setback for US gun lobby

By Jurek Martin in Washington

THE National Rifle Association, one of the most effective lobbies in the US, now finds itself in the unaccustomed position of losing some legislative battles over gun control.

On Monday, the New Jersey senate refused to repeal a state law which bans the sale of semi-automatic handguns and gives the 300,000 owners of such assault-style weapons a year in which to sell them out of state, disable them or turn them into the police.

The New Jersey law is among the country's toughest gun control measures. Proposed by Democratic Governor Jim Florio, it was enacted in 1990 by the legislature, then in Democratic hands.

It seemed ripe for repeal when Republicans took over the state's two houses, which repealed the bill last August. Mr Florio vetoed the repeal, but was himself overruled in the lower house. Intensive lobbying by the NRA seemed likely to induce the senate also to override the veto, but in the event it voted 26-0, with 12 abstentions and two absentees, to sustain the governor.

A local NRA official said the fight for repeal would continue in this November's gubernatorial and state elections. He promised to raise $100 from each of the NRA's 600,000 members in the state and to use the funds in particular against those Republican senators who had "betrayed" the cause.

Instant post-mortems in Trenton, New Jersey's capital, were that the NRA had overplayed its lobbying hand. Other factors cited included public unease over the current siege outside Waco, Texas, of a heavily-armed religious cult and many other instances of random violence.

Earlier this year, the Virginia legislature passed into law, again over heavy NRA resistance, a measure limiting the purchase of handguns by any individual to one per month, unless special permission to buy more is obtained from the police. Virginia was one of the easiest states in which to purchase guns.

The NRA was also embarrassed last week when it was forced to fire one of its senior lobbyists in Washington for having spread unsubstantiated rumours that Ms Janet Reno, the new attorney general and a staunch advocate of gun control, had been arrested, though never charged, on suspicion of drunken driving.

Interviewed on television, Mr Wayne La Pierre of the NRA's national headquarters, advanced his organisation's standard line that gun control was not the way to attack crime in the country either at state or federal level. He argued against the pending Brady handgun control bill favoured by President Bill Clinton and soon to be considered again by Congress, and in favour of building more prisons and tougher jail sentences.

He was particularly critical of the provision of the New Jersey law requiring existing owners of assault weapons to disable them or turn them in. This, he said, meant that 300,000 citizens of New Jersey had been branded *de jure* "criminals."

Most banks agree deal but the IMF remains a serious obstacle

Brazil moves closer to accord on debt

By Stephen Fidler in London and Christina Lamb in Rio de Janeiro

THE restructuring of Brazil's commercial debt moved a step nearer yesterday with financial institutions owed more than 95 per cent of the country's medium-term bank debt agreeing the proposed accord.

The achievement of this "critical mass" will trigger the payments of some interest owed to banks from the first half of last year, of about $150m. According to Mr William Rhodes, vice-chairman of Citibank, which heads the Brazilian bank steering committee, the accord was "doing very well".

About 800 financial institutions accounting for almost 97 per cent of the $44bn of commercial debt had assented to the restructuring agreement, which allows banks the choice from six options, he said.

Bankers said the accord now faced two hurdles: one concerning the so-called balance of the deal, and the other surrounding the question of whether Brazil will be able to secure an agreement with the International Monetary Fund.

Demanding balance. Brazil has reserved its right to reopen negotiations if too many banks concentrate on the option that would prove most costly to Brazil, the so-called par bond.

Bankers said yesterday that the deal would need "rebalancing" but that this process would not be so difficult as in the recent Argentine agreement. Citibank and a number of other banks had chosen to provide an element of new money under the restructuring.

The biggest problem remains Brazil's lack of progress with the IMF. An fund delegation in Brazil yesterday met the new finance minister, Mr Eliseu Resende, the third in five months to try his hand at achieving a deal.

An agreement with the Fund would trigger the release of money from the Washington-based international financial institutions to provide some of the $3.2bn that Brazil must put up to provide guarantees for some of the securities to be issued under the accord.

The possibility of using the country's liquid foreign exchange reserves – now at a healthy $20bn – to provide a bridge until an IMF agreement is in place is likely to be discussed in the weeks ahead.

The last word rests with the Brazilian senate which must approve the deal.

Brother's attacks pull the plug on Collor's election ambitions

By Christina Lamb in Rio de Janeiro

ATTEMPTS by Brazil's former President Fernando Collor to recover his rights to stand as a candidate in next year's elections are being thwarted by a flood of fortune-seeking books by his vengeful younger brother and former aides about the torrid world of drugs, adultery and black magic that allegedly marked his presidency.

With the Supreme Court due to decide within two weeks whether to proceed with criminal charges against the former president, removed in impeachment proceedings over corruption charges, Mr Collor's last shreds of honour are being stripped away by the revelations now rocking Brazil in the latest episode in the Cain and Abel saga between the two Collor brothers.

Mr Collor has pleaded for people to ignore the damning extracts being published in the Jornal do Brasil from a book by his brother Pedro whose denunciations last year led to the president's downfall.

A handwritten letter from Mr Collor to the media accused his brother of being "sick in body and soul," adding: "Isn't it enough that they have taken away my political rights, my happiness, my peace. . . for the love of God, stop this!"

Pedro Collor – vitriolic attacks on former president

There is very little that Pedro does not accuse his brother of in his book which he says "will make the whole world question how such a person could become president of Brazil." In the first two extracts alone he claims that while in office the president and his wife Rosane were cheating on each other – both with men – and that Rosane blackmailed Mr Collor by threatening to reveal his alleged cocaine addiction and wife-battering tendencies.

Pedro goes on to detail black magic sessions by the first couple and Rosane's mother in which they jabbed pins into models of their enemies. Pedro also claims the presidential couple sacrificed goats and chickens and danced round them in daily ceremonies to try to ward off impeachment.

Pedro's book is not the only one doing the rounds. In "A Thousand Days of Solitude" by Mr Claudio Humberto, Mr Collor's loyal ex-spokesman, Pedro is the mentally imbalanced villain who shoots at the refrigerator when he cannot find the cheese.

Although Pedro is not regarded as the most credible source, any hope of Mr Collor's imminent return to public life is likely to be dashed by the revelations which have led news items throughout Latin America.

Second bite urged at budget deficit

By George Graham in Washington

PRESIDENT Bill Clinton is being urged to plan for a second attack on the US budget deficit after his current four-year deficit reduction plan, in an attempt to restore US competitiveness.

The Competitiveness Policy Council, set up by Congress in 1990 to develop strategies for improving US productivity and competitiveness, yesterday called for the elimination of the federal budget deficit by the year 2000, or even better the creation of a budget surplus, as an essential step towards freeing enough savings to finance an expansion in US investment.

Mr Fred Bergsten, director of the Washington-based Institute for International Economics and the council's chairman, said he welcomed the economic programme outlined by President Clinton as a first bite at the problem; indeed, the Clinton plan draws in several areas on the council's work.

"We are saying he should have in mind that the first four-year tranche may not be enough," Mr Bergsten said.

In its second annual report, presented to Congress yesterday, the council, which groups leaders from business, labour, government and academia, calls for a central national goal of nearly tripling productivity growth, to at least 2 per cent a year, by the end of the century.

That would require "increasing national investment by at least 4 to 6 per cent of GDP, or about $300bn annually at current prices," the report says, adding that "most of the expansion must come from the private sector."

If this is to be financed internally, instead of by continuing to depend on foreign capital, the council argues, the national savings rate will have to rise by 5 per cent to 7 per cent.

"Those are ambitious goals, but we think they are doable," Mr Bergsten said.

As some of the policies advocated by the council would involve increased spending, the report lists options for a future round of spending cuts and tax increases.

Current account shortfall in US rises to $62.4bn

THE US current account deficit climbed back to $62.4bn last year, with an improved surplus on services partially offsetting a widening merchandise trade deficit and declining income from overseas investments, George Graham writes from Washington.

The US surplus in services payments rose to $55.1bn from $45.3bn in 1991, but net income from foreign investments fell to $10.1bn from $16.4bn in 1991.

The commerce department also reported that housing starts in February ran at an annualised rate of 1.21m, 6 per cent lower than a year ago.

Taxing times for Puerto Rico economy

Clinton may soon end company tax incentives, writes Canute James

PRESIDENT Bill Clinton's proposal to eliminate a vital package of tax incentives for US companies investing in Puerto Rico as part of efforts to cut the US federal deficit has led to deep concern on the island and prompted renewed soul-searching over its political future.

Mr Clinton has proposed the elimination of Section 936 of the federal internal revenue code which allows US companies with manufacturing subsidiaries in the US Caribbean possession to return their profits tax-free to the mainland or to deposit profits in local banks without paying any federal taxes on the earnings.

These deposits of about $15bn (£10.5bn) have become a pillar of the island's financial stability and the tax incentives have been seen by many as the main fuel for the rapid expansion of Puerto Rico's economy.

The island's rapid industrialisation over the past four decades has clearly been helped by the incentives which, with lower wages, have encouraged dozens of mainland companies to switch production to the island.

Section 936 has been frequently attacked in Washington and it is not surprising that it has become a target in the deficit-cutting exercise. US Treasury officials have repeatedly claimed that the tax breaks cost the federal budget between $2bn and $3bn a year.

The president is suggesting that over a five-year period Section 936 be replaced by a 65 per cent tax credit on wages to companies which operate subsidiaries in Puerto Rico. The proposal for ending the incentives follows recent charges by legislators in Washington that pharmaceutical companies have been using the tax breaks to make excessive profits through overcharging for their products.

Puerto Rico has become one of the world's leading producers of pharmaceuticals, accounting for about half the US market. The island's pharmaceutical sector has not been helped by the debate in the US over the high cost of healthcare.

Mr Clinton's proposals have fuelled party political debate in Puerto Rico over the island's future.

The 3.5m people of the island are US citizens, but cannot vote for a president. The island's representation in Washington is limited to a commissioner who has no vote to influence legislation. Puerto Ricans are to vote later this year to determine whether the island will retain its current freely-associated "commonwealth" status or become a state of the union.

As a fully fledged American state Puerto Rico would no longer be able to benefit from Section 936 and Mr Clinton's proposals may strengthen the arguments of those who support a change to full statehood, led by the incumbent New Progressive party of Governor Pedro Rossello.

Mr Carlos Romero Barcelo, Puerto Rico's resident commissioner in Washington, also says he favours the phase-out of the special incentives and their replacement with wage credits.

The opposition Popular Democratic party however favours a continuation of the political status quo and Mrs Victoria Munoz Mendoza, the party's leader, argues that elimination of Section 936 would lead to widespread unemployment on the island.

While they await the introduction of Mr Clinton's proposals Puerto Ricans are looking to Caribbean neighbours for help. Previous administrations on the island have committed up to $100m a year of Section 936 deposits in the form of low-interest loans to business projects in other Caribbean countries. Since 1985 Puerto Rico's neighbours have received a total of $650m of such loans.

Mr Baltasar Corrada del Rio, Puerto Rico' secretary of state, said he expected strong Caribbean support for the defence of the programme which he said had helped to provide 30,000 jobs in Caribbean countries.

LEGAL NOTICES

NOTICE OF PROPOSED IMPLEMENTATION OF PLAN OF COMPROMISE OR ARRANGEMENT TO HOLDERS OF 11-1/8% SENIOR DEBENTURES DUE AUGUST 15, 1992 OF BRAMALEA LIMITED

NOTICE IS HEREBY GIVEN that the Plan of Compromise or Arrangement (the "Plan") of Bramalea Limited (the "Corporation") under the Companies' Creditors Arrangement Act was approved by certain creditors of the Corporation at meetings held on February 17, 18 and 19, 1993 and sanctioned by orders of the Ontario Court of Justice (General Division) on February 24 and 26, 1993. The Corporation anticipates that the Plan will be implemented between March 22, 1993 and March 30, 1993 (the "Implementation Date").

The Plan provides that each series of senior debentures (collectively, the "Debentures") of the Corporation issued pursuant to a trust indenture dated as of August 15, 1985, as amended by ten supplemental indentures, between the Corporation and The Canada Trust Company and Montreal Trust Company of Canada as successor trustee (the "Trustee") will be amended effective on the Implementation Date (the Debentures amended are hereinafter referred to as the "1998 Debentures"). The 1998 Debentures will provide that 70 percent of the principal amount of the 1998 Debentures of each series held by each Debentureholder together with the amount of interest accrued on such principal amount up to but excluding the Implementation Date (the "70% Amount") will bear interest at a rate of 0.1 percent per annum as and from the Implementation Date to be capitalized annually (or at the option of the Corporation, payable in cash) and be convertible into common shares of the Corporation at a price of the U.S. dollar equivalent of Cdn. $1.00 per common share on the Implementation Date at any time at the option of Debentureholders and, at the option of the Corporation, upon certain stated events as described in Supplement to Information Circular and Proxy Statement with respect to a Meeting of Senior Debentureholders dated November 27, 1992 which was mailed to Debentureholders on or about December 3, 1992. The remaining portion of the 1998 Debentures (the "30% Amount") will bear interest in accordance with the existing interest rates for each series of Debentures, which interest is partially capitalized throughout the period of the Plan, and will be convertible into common shares of the Corporation at any time at the option of the Debentureholders at a conversion price equal to the greater of the U.S. dollar equivalent of Cdn. $1.00 per common share on the Implementation Date and the weighted average trading price during the 20 trading days prior to the date of conversion translated into U.S. dollars on the first business day prior to the date of conversion. Upon conversion of the 70% Amount, converting Debentureholders will also receive their pro rata portion of an additional 50.75 million common shares. The 1998 Debentures will mature on the fifth anniversary of the Implementation Date. In addition, in accordance with the extraordinary resolution of Debentureholders dated August 31, 1992, Lancaster Financial Corp. is entitled to receive from each holder of Senior Debentures one-half of one percent, payable in kind, of all 1998 Convertible Debentures, and the principal amount of 1998 Convertible Debentures otherwise issuable on exchange of the Senior Debentures.

In order to exchange the 11-1/8% Senior Debentures due August 15, 1992 (the "bearer Debentures") for the 70% Amount and the 30% Amount of 1998 Debentures (i) holders of bearer Debentures who hold their bearer Debentures must surrender the certificate(s) representing their bearer Debentures to the office of the principal paying agent set out below and sign and complete a letter of transmittal and (ii) holders of bearer Debentures whose bearer Debentures are held through Euroclear or Cedel, as the case may be, must forward their instructions to Euroclear or Cedel, as the case may be. Copies of the letter of transmittal are available at the offices of the Trustee, or principal paying agent set forth below. The method of delivery of the letter of transmittal and certificate(s) representing bearer Debentures is at the option and risk of the Debentureholder.

In order to expedite the exchange of bearer Debentures for 1998 Debentures, holders of bearer Debentures, Euroclear or Cedel may surrender their certificate(s) representing bearer Debentures together with a signed and completed letter of transmittal (or other instructions acceptable to the Trustee) prior to the Implementation Date to the principal paying agent. In addition, holders of bearer debentures electing to convert either the entire 70% Amount, the entire 30% Amount or both of their bearer Debentures effective the Implementation Date may so indicate on the letter of transmittal (or by way of other instructions acceptable to the Trustee).

Upon receipt by the principal paying agent of a duly completed letter of transmittal (or other instructions acceptable to the Trustee) and the certificate(s) representing the Debentures, the Corporation will forward or cause the Trustee to forward to each Debentureholder, or to Euroclear or Cedel, as the case may be, as soon as practicable, certificate(s) representing the appropriate number of 1998 Debentures. If the Debentureholder elects to convert the entire 70% Amount, the entire 30% Amount or both, the Corporation will forward or cause the Trustee to forward, in accordance with the instructions of the Debentureholder, certificate(s) representing the appropriate number of 1998 Debentures. In addition, Debentureholders who exercise their right to convert the 70% Amount will receive their pro rata portion of an additional 50.75 million common shares.

Further details of the treatment of Debentureholders under the Plan are contained in Information Circular dated October 1, 1992, Supplement to Information Circular dated November 27. 1992, Information Circular dated December 23, 1992, Supplement to Information Circular dated February 5, 1993 and Second Supplement to Information Circular dated February 16, 1993, copies of which have been previously mailed to Debentureholders and which are available from the Trustee at any of its branches set forth below.

DATED at Toronto, Ontario, Canada, this 16th day of March, 1993.

BRAMALEA LIMITED
Marvin Marshall
President and Chief Executive Officer

Charles Simon
Senior Vice-President,
General Counsel & Secretary

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Japan anger over Cocom 'breaches'

By Robert Thomson in Tokyo

AN ADVISORY body to Japan's Ministry of International Trade and Industry has accused European and US companies of violating restrictions on the export of sensitive technologies to China.

The Centre for Information on Strategic Technology, comprising industry representatives, said investigations of Chinese factories had identified a range of sophisticated machine tools, exports of which were prohibited by the Co-ordinating Committee for Multilateral Export Controls (Cocom).

In recent years, Japanese technology producers have admitted exporting equipment illegally to the former Soviet Union and Iran, but the industry is angry that Japanese companies should be thought less ready than others to respect Cocom regulations.

The confidential Cistec report describes the results of visits to factories in Beijing, Shanghai and other cities by member companies, which claim to have found a range of banned equipment apparently provided by US and European producers.

Delivery of the confidential report to Miti coincides with a debate within the Japanese government over exports of sensitive technologies to China.

Miti has supported an easing of technology export restrictions, but officials in Japan's Foreign Ministry are concerned that some equipment could be used to help the Chinese army in its ambitious plans to develop high-tech weaponry.

The ministry's concerns are shared by Washington. A Pentagon official said the US was concerned that China would use sophisticated technology to upgrade advanced military aircraft and other hardware acquired from Russia.

A Japanese ministry official said the government was torn between wanting to cultivate ties with Beijing by providing sophisticated technology and longer-term fears that political instability in China could make the People's Liberation Army a volatile force in the region.

The US and European technology identified by Cistec members included a sophisticated machining centre, laser equipment, and advanced numerically controlled machinery, all of which could be applied to the manufacture of military hardware.

Siemens shares US rail order

By Christopher Parkes in Frankfurt

SIEMENS, the German electrical engineering group, claimed yesterday that its share in a US order for 350 diesel-electric locomotives provided a firm base for further expansion in the American railways market.

The DM1bn ($600m) order from Burlington Northern Railroad, one of the biggest rail freight carriers in the US, was the largest single investment in the history of US railways, Siemens said.

The lead contractor will be General Motors' locomotive division, EMD, which will build the engines in factories in Illinois and Ontario, Canada. The Stuttgart-based group will earn around DM170m, excluding income from licences granted to EMD, from the supply of three-phase alternating current motors.

The first eight 4,500 horsepower locomotives will be delivered this year and the rest of the order will be completed by the end of 1997.

Compared with the direct current diesel-electric motors commonly used in the US, Siemens said its power units were cheaper to run and maintain.

● General Motors is recalling 1.8m pickup trucks and sport utility vehicles, equivalent to about 50 per cent of the vehicles' production, to correct a transmission fluid problem, Reuter reports from Detroit.

Nafta test for Clinton's team

Nancy Dunne on the conflicting demands of trade pact partners and dissident Democrats

AS President Bill Clinton's trade officials today begin their first important negotiation – over side deals for the North American Free Trade Agreement – they will be walking a fine line between their trading partners' sensitivities and the stiff demands from some members of their own party.

In meetings in Washington with the Mexican and Canadian chief negotiators – Mr Herminio Blanco Mendoz and Mr John Weekes – deputy trade representative Rufus Yerxa will search for a formula to persuade the US Congress that the Nafta will not lure American companies south of the border with the promise of cheap labour and weak enforcement of environmental rules.

The negotiators must, at the same time, devise an enforcement mechanism that does not infringe on Mexican sovereignty or, even worse in American eyes, cede to Mexico a part of US sovereignty. Many labour activists believe the US wants no complaints filed in American courts about treatment of migrant Mexican workers by companies or growers north of the border.

Mr Mickey Kantor, the US trade representative, hopes to send the Nafta to Congress this summer in time to get it implemented as scheduled on January 1, 1994. The deal has wide support among Republicans, but to get the backing of enough Democrats for passage, the president will have to make the case that the pact will raise living standards and clean up pollution on the whole continent.

Still, there will be many Democrats such as Mr Craig Merrilees, director of the California Fair Trade Campaign, who supported President Clinton in the election but opposes the Nafta. He believes it is impossible to "fix" the pact because the administration is unwilling to confront two central dilemmas of the negotiations.

These are the wage differential and the environment. The wage difference between Mexico and its northern neighbours is what Mr Merrilees calls "the main reason that Nafta exists in the first place". If the administration attempts to close that wage gap through, for example, strong enforcement of labour right rules, support for the agreement will erode among corporations. The Mexican government will also oppose raising wages because it wants to be as attractive as possible to foreign investors.

"Mexican citizens don't have the right to petition their government," said Mr Merrilees. "They don't have due process. Their constitution is regularly violated by a regime that has been in power for 65 years." In his view, the question is how such a government can be trusted to uphold enforcement promises.

The support of Mr Richard Gephardt, the House majority leader, is the most crucial to the Nafta's passage. Just back from a trip to Mexico with Mr Merrilees and a group of other congressmen, he related to the House Ways and Means committee last week a number of environmental horror stories including one involving cows, whose milk is sold in Tijuana, dying from lead poisoning.

"The current Nafta will do nothing to stem the tide of pollution that endangers the health, safety and welfare of citizens on both sides of our borders," he said. "Nor will it stem the haemorrhage of jobs to Mexico or help recreate the link between productivity and wages by empowering the workers through their unions and through their political system."

The Clinton solution, as defined last week by Mr Kantor, would be two trilateral councils on environment and labour, which may have the power to investigate environmental and labour violations.

Gephardt: his support is crucial

Mr Kantor argues that in many international agreements there is an authority to ask for, or even demand, certain data but no enforcement mechanism. "The mere fact of making that public usually persuades the government to react properly."

If that does not convince the sceptics, Mr Kantor has another idea, borrowed from the intellectual property rights section of the current Nafta text. It would require Mexico to change its law, so that citizens could appeal decisions from administrative agencies in Mexican courts.

The Clinton administration is also considering the possibility of using trade sanctions as an enforcement tool. The use of sanctions – even if Mexico and Canada agree – will not satisfy Mr Merrilees and his colleagues in the labour and environmental movements.

However, it may help bring Mr Gephardt on board if the Nafta is presented with a strong job retraining programme and a funding mechanism, such as cross-border tax on imports, dedicated to environmental clean-up.

India and Oman in accord on gas link

By Mark Nicholson in Cairo

OMAN and India have reached preliminary agreement to build an undersea gas pipeline capable of delivering 50m cubic metres of Omani gas a day to industries on India's west coast. Gulf oil executives say the deal will be worth around $4.5bn and could be completed within four years.

The two states have also agreed to build two 120,000 b/d oil refineries in India, with the Omani government partnering India's Hindustan Petroleum and Baharat Oil.

The Oman Oil Company, an arm of the country's oil and finance ministries, is to conduct a feasibility study on the 900km pipeline, which would have to pass over the continental shelf off Iran and Pakistan.

Oil industry officials said a substantial part of the deal was likely to be financed by export credits. Oman has reportedly proposed a 40-year gas supply contract.

The Oman Oil Company has also signed a deal to link Kazakhstan's biggest oilfield with a coastal terminal. Both deals are part of Oman's attempts to diversify and broaden its hydrocarbons industry.

The deal with India would give Oman a reliable local market for its gas, proven reserves of which have doubled in two years to 490bn cubic metres. "If you look at the delivery costs to India, by ship or pipeline, the pipeline comes out favourably," says one industry official.

Oman will also supply crude oil for the two refineries to be built in India, under the memo of understanding signed at the weekend. Oman's national news agency said one would be built in central and one in western India.

Industry officials said the two deals offered a natural match between India's growing appetite for imported fuels and Oman's desire to exploit both its natural hydrocarbon reserves and its already strong diplomatic ties with the subcontinent.

NEWS IN BRIEF

EC in S Korea chip agreement

THE European Commission has secured an agreement on minimum prices from three leading Korean manufacturers of memory chips, heading off the threat of extended anti-dumping duties, **Lionel Barber reports from Brussels.**

Goldstar, Hyundai, and Samsung have offered undertakings on future minimum prices as part of a new self-policing Korean producers' regime on memory chips, similar to an arrangement with Japanese producers. The deal ends a two-and-a-half year investigation which EC officials said showed substantial dumping margins varying between 18 per cent and 120 per cent of the EC border price. The Commission will, however, collect four months worth of duties imposed provisionally last September at a rate of 10.1 per cent on all imports of Dram chips from Korea.

The new regime requires Korean producers to submit quarterly cost and sales data to the Commission, while those not taking part in the regime face an anti-dumping duty of 24.7 per cent.

The memory chip prices investigated were DRAMs, volatile memories used in most kinds of electronic equipment including computers and telecommunication systems.

Peugeot forms Indian venture

Peugeot, the French carmaker, has overtaken Italian and Japanese competition to strike an agreement in principle for a joint venture with the Indian car group, Premier Automobiles, **William Dawkins reports from Paris.**

Peugeot and Premier Automobiles have signed a memorandum of understanding to set up an equally owned car assembly company in India, to produce Peugeot vehicles in 12 to 18 months from now. The joint venture will assemble around 60,000 cars annually at first.The partners are still finalising the choice of models.

Czechs and Slovaks rejoin Gatt

The Czech and Slovak republics yesterday signed new accession protocols that will enable the newly separated countries to rejoin the General Agreement on Tariffs and Trade, **Frances Williams writes in Geneva.**

They ceased to be Gatt members when the former Czechoslovakia, a Gatt founder member in 1948, was dissolved at the end of last year.

Fresh US-Japan chip link-up

Mitsubishi Electric of Japan and Digital Equipment, the second largest computer manufacturer in the US, are poised to agree to jointly develop and manufacture semiconductors, writes **Michiyo Nakamoto in Tokyo.** This move promises to accelerate the cross-border integration of the world semiconductor industry.

The deal will focus initially on the Alpha chip microprocessor developed by DEC, which Mitsubishi will manufacture mainly in Japan. In future, the two companies could jointly develop and manufacture new generations of semiconductors.

Henan awards power plants

China's Henan province has signed a memorandum of understanding with Wing-Merrill International of the US to develop three coal-fired power plants, **Andrew Baxter writes.**

Two of the plants, each with a capacity of 1,400MW, will be sited near the provincial capital of Zhengzhou and will be built, owned and operated by a joint venture company to be established under the agreement. The third station will be built near Henan's northern border. Members of the consortium include Bechtel, Westinghouse and Riley Stoker from the US.

Falling tax receipts hit public sector finances

By Emma Tucker, Economics Staff

BRITAIN'S public sector finances deteriorated last month following a sharp drop in receipts from Value Added Tax (VAT), the retail tax on all goods excluding food, books and children's clothing.

The public sector borrowing requirement in February was £5.4bn, £1bn higher than the market expected. The figure took the PSBR for the first 11 months of this financial year to £27bn, compared with £7.4bn in the same period last year.

The large monthly shortfall compares with a modest borrowing requirement of £963m in February 1992.

The increase in the PSBR could be explained partly by lower VAT receipts than in the previous two months, when a new system for collecting the tax brought receipts previously paid in February forward to January.

The Central Statistical Office figures showed VAT receipts last month were £2.9bn compared with £4.3bn in February last year. In January receipts of £3.34bn contributed around £1bn to January's £3.83bn surplus in government finances.

Excluding privatisation proceeds - mainly the final call on the sale of British Telecom stock - the PSBR last month was £5.8bn.

High government cash outlays was another factor contributing to February's large borrowing requirement. Although central government spending of £20bn was slightly less than in January, it was £2.7bn higher than in February last year. The CSO said that in the first 11 months of this financial year, total cash outlays were 13.5 per cent higher than in the previous year.

Income tax receipts were also lower, underlining the impact of the recession on government revenue. The government collected £3.8bn in income tax last month, compared with £4.25bn in the same month a year ago. Corporation tax of £329m was little changed on February 1991.

The CSO said inland revenue receipts for the first 11 months of the year, were 4.5 per cent lower than in the same 11 months of 1991/92. Social security contributions were 3 per cent higher, but total cash receipts were 1 per cent down on the previous financial year.

● The short term liquidity position of Britain's large companies deteriorated in the final quarter of last year as falling interest rates encouraged companies to boost borrowings and run down their bank deposits.

The Central Statistical Office said the seasonally adjusted liquidity ratio for large UK industrial and commercial companies fell to an estimated 111 per cent at the end of last year from 119 per cent at the end of the third quarter. The ratio – measuring current assets maturing in less than a year as a share of liabilities that have to be repaid in less than a year – was the lowest since the first quarter of 1991.

Contractor may be paid to run dockland railway

By Richard Tomkins, Transport Correspondent

THE government may privatise London's Docklands Light Railway, the transit system serving suburbs and new commercial developments east of the capital, by paying a contractor to take it over.

Government advisers are studying the move as one of the likely options for getting the loss-making railway into private ownership.

Built in the 1980s for just £77m, the Docklands Light Railway is being extended and upgraded at a cost of £800m, in order to increase capacity and improve reliability.

Earlier this month, the Department of the Environment appointed the consultancy arm of Ernst & Young, the accountancy firm, to draw up a list of options for privatising the line.

The government is keen to press ahead with the plan, because it wants the private sector to build a £130m extension of the Docklands Light Railway across the Thames to south-east London.

A straightforward sale or stock market flotation of the railway is ruled out by the losses it makes, currently more than five times its £3m annual revenues. But Ernst & Young believes the private sector could be offered a "dowry" to take the railway off the government's hands.

This could stir up a controversy similar to the one that accompanied the recent disposal of the Property Services Agency's projects division to Tarmac, the construction group, with payments or guarantees worth about £100m.

Another option would be to franchise the railway operation to the company wanting the smallest subsidy to run it.

The railway's performance, once notoriously unreliable, has improved recently following the arrival of a new management team headed by Sir Peter Levene, former head of defence procurement at the Ministry of Defence.

Last week Sir Peter announced that the railway was to pay Brown & Root, the US engineering group, £30m over the next three years to get the railway running smoothly.

Mr Eric Anstey, Ernst & Young's director of privatisation and utilities services, said the railway could become profitable next decade if the property market recovered and the extension was built.

There was "enormous" interest in the privatisation, he said. Talks had taken place with financial institutions, international rail operators and construction companies.

Management, Page 12

BBC board considers row over Birt

THE governors of the BBC were last night expected to discuss the deepening row over the management of the corporation following mounting concern at the tax arrangements of Mr John Birt, director general.

The controversy at the state broadcasting corporation surfaced two weeks ago with revelations about Mr Birt, who was appointed deputy director general on a £140,000 a year salary but was paid as a freelance consultant. The row deepened with revelations that the BBC board was not told of the arrangement and was unaware that the director-general's post had not been advertised before Mr Birt was appointed.

Discussion at the private meeting last night is thought to have centred on ways to defuse the row before a formal board meeting tomorrow.

John Birt yesterday: "I have been heartened by strong support from inside and outside the BBC"

British pay most for local phone calls

By Andrew Adonis

LOCAL telephone calls cost more in the UK than in any other state in Europe, North America or Australia, according to a survey of international telecommunications prices.

The UK's international calls, however, are the cheapest of the 10 countries surveyed, and its trunk calls the second cheapest.

The survey, published by National Utility Services, a consultancy group, shows that for a three-minute local call at average rate UK consumers pay at least twice more than those in Canada, the US, Sweden, the Netherlands and Italy.

At 31 December 1992 rates of exchange, the comparable prices were 11.5p in the UK against nil in Canada, 5.2p in the US, 5.4p in Sweden and the Netherlands and 5.7p in Italy.

To compensate, Canadians pay an unusually high exchange line charge, equivalent to £38.78 a month. At £10.28 British Telecom's monthly charge is higher than those in Australia (£10.21), France (£9.57), the US (£8.62), Italy (£7.70), the Netherlands (£7.62) and Belgium (£6.76).

The survey shows UK consumers fare better in trunk calls (over 200 miles) and international calls. They pay less for the latter (£1.24 for three minutes at average rate) than those in any of the other nine countries, and barely half the going rate in Italy (£4.41), Italy (£2.44) and Sweden (£2.42).

At 27p for three minutes at average rate for trunk calls, UK customers pay less than those in all other countries except the Netherlands (21p). Germany and France impose the highest charges, of 80p and 77p respectively.

Sweden, included in the annual survey for the first time, is shown to have among the highest charges of the 10 countries surveyed.

Britain in brief

Ford plants face strike over job cuts

Foremen at the Ford Motor Company plants in Southampton and at Dagenham, have gone on strike in protest at the company's threat of compulsory redundancies.

Last week Ford backed down and agreed not to press ahead with any compulsory redundancies among its blue-collar labour force as a result of improved demand and adjustments in production targets. But to the anger of staff the company has so far refused to withdraw the threat of compulsory redundancies for its white-collar employees.

White-collar unions at Ford are due to meet the management next Tuesday to discuss the situation following a ballot vote in support of industrial action by the company's staff.

Fewer days lost to strikes

The amount of working time lost in Britain through disputes and stoppages has fallen dramatically, according to figures published by the EC's statistical office in Luxembourg.

Only 34 days were lost per 1,000 employees in 1991 compared with 83 in 1990 and 1,278 in 1984. Days lost between 1987-91 average 126 per 1,000 employees – a 70 per cent drop compared with the period 1982-86, when Britain had one of the worst records for industrial strikes in the Community.

M0 measure grows slowly

M0, the narrow measure of money supply targeted by the government, has been growing more slowly on a seasonally adjusted basis than thought, according to the Bank of England. The Bank's regular half yearly update of seasonal adjustments shows that M0, which consists mainly of notes and coin in circulation, grew by a seasonally adjusted 4.5 per cent in the 12 months to February compared with 4.8 per cent previously.

Deals urged on coal contracts

The government has told the 14 electricity companies in England and Wales to resolve remaining problems on tentative contracts with British Coal by Friday in preparation for a policy document next week.

Its exhortation on proposed deals for 40m tonnes next year and 30m in each of the following years will increase speculation that its coal review will result in only a handful of the 31 threatened pits being saved. An additional 40m tonnes would save eight pits at the most and possibly less.

Unpaid taxes increase 55%

The Inland Revenue wrote off nearly £900m in unpaid taxes in 1991 – a 55 per cent increase on year-earlier levels, the Treasury has admitted. The disclosure of the 1991 figures, the most recent available, was made in Parliament by Mr Stephen Dorrell, financial secretary to the Treasury.

The sum written off in 1990 totalled nearly £569m, he indicated. Mr Dorrell also disclosed that an independent survey by Research International, a market research group, showed one in three employed taxpayers were dissatisfied with the service from the Inland Revenue.

Ice exports set to rise

Exports of UK ice cubes are expected to rise after the water from which they are made passed stringent hygiene tests. The cubes, made by the Packaged Ice Company of Fleetwood from ordinary north west drinking water in quantities of up to 60 tonnes a day, are being sold in the Belgian-owned MultiFrost frozen food chain of supermarkets.

Further expansion into Europe can take place following certification of water quality by the health authorities of France and the Netherlands.

PEOPLE

Sutherland comes to Ross

Ross Group, the acquisitive consumer electronics and packaging company which lost its high-profile chairman Roger Shute last June, has hired former ITT executive Neil Sutherland as its group managing director.

When Shute stepped down because of ill-health from his non-executive position, managing director Noel Hayes took on the additional role of chairman while a replacement was found. Hayes remains executive chairman.

"Roger's departure was merely a catalyst. We had almost decided to bring on another senior executive anyway," claims Hayes, pointing out how the group has grown since he joined in October 1989, with turnover last year at £50m, compared with £6m then.

The company was also loathe to look for a non-executive chairman – "some City dignitary who would charge £10,000 and arrive for six free lunches a year".

Instead it hopes it has found in 53-year-old Sutherland someone who both subscribes to the company's philosophy – success by working "longer and harder" than the competition – and who complements existing skills on the board. Hayes, 36, came from the City, with a short stint as senior sales director of Kleinwort Benson Securities, preceded by positions at Citicorp Scrimgeour Vickers. Finance director Anthony Schofield has a traditional accountancy background.

Sutherland, by contrast, has spent most of his life in big company manufacturing, largely concerned with consumer electronics. An engineering graduate from Edinburgh University, he started out with Nuclear Enterprises, before moving to Plessey.

In 1982, he joined Dubilier, working in the US as well as the UK. Three years later he moved to ITT, where he spent eight years as managing director of the ITT Cannon Group, supplying components and systems to telecommunications, auto, consumer and industrial electronics markets.

Ross has still to dispel completely what Hayes himself has termed "the Roger Shute effect" whereby the share price dived following Shute's exit. It has only partially recovered, trading in the 30p-33p range in the last couple of months. "I am very happy to be judged by our results," says Hayes.

The company reports on April 8.

■ BM Group, another company once chaired by Roger Shute, has taken steps to strengthen its board. The construction equipment and engineering concern has appointed Richard Miles, former chief executive of Steetley, as a non-executive director.

It will be the most demanding role Miles has taken on since Steetley lost out to a hostile £613m takeover bid by rival building materials group Redland a year ago. His other activities include the non-executive chairmanship of Bucknall Group, a construction consultancy.

Following a collapse in its performance, BM had been looking for another experienced non-executive to support a root-and-branch review being carried out under its new chairman Moger Woolley.

■ Macmillan, the UK publisher, has appointed a new group managing director to take responsibility for book publishing operations in the UK.

Iain Burns, who has been a non-executive director there for the past three years, has been involved in publishing for nearly 20 years having joined Collins in 1973. He has also worked for International Thomson and Octopus. After Reed International's takeover of Octopus in 1987, Burns became chief executive of Abaco Investments.

Nicholas Byam Shaw remains executive chairman of Macmillan.

■ Derek Hunt, the director of finance at Thames Television since 1985, has decided to leave the company in June "to devote more time to his other interests". He will be succeeded by Nick Humby, the present financial controller. Humby, 35, who qualified as a chartered accountant with Price Waterhouse, has been appointed deputy director of finance and joins the board as director of finance on July 1.

■ Bruce Hewett, formerly group director of current affairs at Southern Water, has been appointed director of technical affairs at SOUTH WEST WATER; he succeeds Bill Dickens who retired last autumn.

■ John Hogan, chief operating officer of LASMO, has been appointed to the board.

Non-executive directors

■ Karel Vuursteen, deputy chairman of the executive board of Heineken NV, at WHITBREAD; Gerard van Schaik has retired.

■ Malcolm Parkinson, chief executive of Woolworths, at JAMES LATHAM.

■ John Bullock, former joint senior partner of Coopers & Lybrand UK, at KINGFISHER.

■ Peter Norris has resigned from CHINA AND EASTERN INVESTMENT Co.

■ Tobias Cepelowicz has resigned from BRAZILIAN INVESTMENT TRUST.

■ Wendy Lascombe, a member of The Commission for New Towns and a director of Aldrich, Eastman and Waltch in Boston, at The BERKELEY GROUP.

■ Peter Grant, a former vice-chairman of Lazards and chairman of Sun Life Assurance Society, as chairman of HIGHLANDS AND ISLANDS AIRPORTS.

■ Arnold Taylor has resigned from PLATEAU MINING.

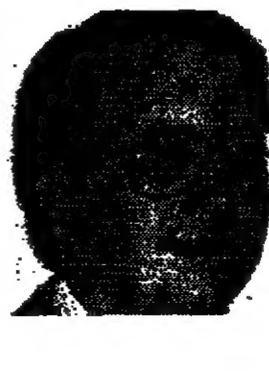
■ Panton Corbett, a director of Singer & Friedlander, at HAYNES PUBLISHING GROUP.

■ Brian Young, recently retired md of BTR's distribution group, at The WHOLESALE FITTINGS.

■ Neil O'Donoghue has resigned from COMMUNITY HOSPITALS GROUP.

■ Michael Kettle at APPLEYARD GROUP.

Baron moves to PaineWebber



Further signs that US securities house PaineWebber is building up its international bond capability come with the arrival of Tony Baron in the London office as international fixed income strategist.

Baron, 42, had spent two years as chief economist of Sakura Finance International (previously Mitsui Taiyo Kobe).

Before joining Sakura Finance, he had been with Chase as head of economics and portfolio strategy at the investment bank in London, and earlier partner and chief economist at Laurie Milbank, the stockbrokers purchased by Chase in 1986.

He says that while Maury Harris, chief economist of PaineWebber in New York, is "exceptionally good" on the US, he is there to bring the international dimension.

The idea of being "in at the beginning of a build-up operation" appeals to him and he hopes he will be "used more intensively" than he was at Sakura.

One of the few Laurie partners to see out the full four years of his contract at Chase, Baron contrasts the "very good atmosphere" at PaineWebber with the "pain of living through Chase's retreat from the securities business".

He adds he likes the fact that energies appear to be focused on building business "not building personal empires" – a preference which might surprise former colleagues who describe him as an intensely political animal.

"I prefer not to fight," Baron rejoins, "but if the alternative is watching your team die, than your get off your butt and get your hands dirty trying to fix things."

Budget in brief

Britain seen to be ahead of most big competitors

The chancellor said that the British economy "enters the year in a more favourable position than most of our main competitors" having "won" the battle against inflation over the last two years.

● **Growth accelerates** Economic recovery is expected to start slowly but accelerate next year. GDP grows by 1½ per cent in 1993 but by 3 per cent in the first half of 1994.

● **Inflation sticky** Underlying retail price inflation remains stuck at 3¾ per cent until the middle of next year, near the top of the government's 0-4 per cent target range.

● **Trade deficit grows** Rising imports means that the current account deficit is expected to rise to £17½bn this year and £18½bn in the first half of next year, 2¾ per cent of GDP, despite robust projected export growth of 10½ per cent in the first half of next year.

PSBR here to stay... The PSBR in 1992-93 will be £35.1bn, £1.9bn lower than the autumn statement forecast. But general government expenditures of 43½ per cent of GDP in 1993-94 mean a PSBR of £50.1bn, 8 per cent of GDP, and £55.6bn excluding privatisation receipts.

...but maybe not for ever The government's objective remains "to bring the PSBR back towards balance over the medium term." But the government's prjections still expect a PSBR of 3¾ per cent of GDP in 1997-98 by which time net public debt will have almost doubled since 1990 to 50 per cent of GDP.

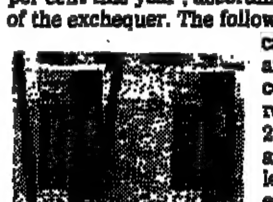
Bloodstock British horse racing's organisers welcomed the announcement that the VAT regime for the bloodstock industry would be eased. Under a new scheme registered owners will be entitled to reclaim VAT on yearling purchases in this country.

Before the chancellor acted, owners were more likely to head for auctions in Ireland or France where the rates of VAT charged to the buyers of yearlings are 2.5 per cent and 5.5 per cent respectively, compared with 17.5 per cent in Britain.

Announcing the measures, Lamont said: "No government has done more for racing than this one. It is an important industry and a vital part of our national life.

Full-funding rule modified No news on interest rates, but the government relaxed its funding policy. Sales of gilts to bank and building societies will now be counted as a non-inflationary funding source. The government has increased its upper limit for broad money growth next year in part to accommodate the boost to M4 that relaxing its full-fund rule which should allow. The target range for M0 in 1993-94 is widened from 4-8 per cent to 3-9 per cent. Broad money growth is currently 3.2 per cent on a seasonally adjusted basis.

Cost of motoring Road fuels will rise by 10 per cent this year, according to the chancellor of the exchequer. The follows the abolition of car tax last autumn, announced in the chancellor's statement on revenue. This adds 2.7p to a litre of unleaded and 3.3p to a litre of leaded petrol. Vehicle exise duty on cars, vans and taxis will rise by £15 to £125.

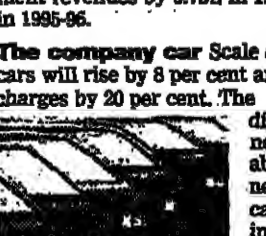


Infrastructure The channel tunnel rail link will proceed as a joint venture between the government and the private sector and the Heathrow express will go ahead as a joint venture between British Rail and BAA.

Industry The rate of advance corporation tax will be reduced to 22.5 per cent for this financial year and to 20 per cent from April 1 1994. The chancellor also announced improvements to export credits.

Re-balancing the books Flouting the advice of his seven "wise men", the chancellor announced a package of immediate and future tax increases in an attempt to prevent "excessive government borrowing over the medium-term" from preventing "a sustained economic recovery". His tax package is broadly neutral this year but will boost government revenues by 6.7bn in 1994-95 and 10.3bn in 1995-96.

The company car Scale charges on company cars will rise by 8 per cent and car fuel scale charges by 20 per cent. The discount on high business mileage will be abolished and from next year, company cars will be taxed according to their list price rather than engine size.



Income tax No change in the basic rate and no increase in the top rate of tax but the 20 per cent tax band will be widened by £500 to the first £2,500 of taxable income from April 1 this year. It will widen to the first £3,000 in 1994. Personal allowances, the married couples' allowance and inheritance tax were frozen this year.

VAT extended Extension of the VAT base was limited to domestic fuel and power. From April next year it will be levied at 8 per cent, rising to 17.5 per cent in April 1995.

Excise duties rise The chancellor left the duty on spirits unchanged, but other alcohol duties rose by 5 per cent and taxes were raised on cigarettes.

Lamont gets his ACT together

The budget will bring big change to oil and insurance, and advance corporation tax reform will make the UK a more attractive base for multinational companies

MULTINATIONAL companies which might have been deterred from setting up holding companies in the UK because of the advance corporation tax (ACT) regime gained substantial help from the chancellor's proposals in yesterday's budget.

Mr Roger Wood, head of the 100 Group of Finance Directors working party on ACT, said "I am delighted with what the chancellor appears to be offering. It makes the UK a more attractive location for international companies both UK and foreign owned".

ACT is paid by companies on dividends and can then be offset against UK corporation tax. However, many companies do not pay sufficient UK corporation tax to offset fully the ACT, meaning that they end up paying more tax. For instance, a US company might have operations in a number of European countries, with a head office in the UK. Profits from say France and Germany would be channelled through the UK companies, which would remit dividends to the US parent. These dividends would attract ACT, which might then not be offsettable, leaving the company with a high tax burden. Such companies were being tempted to move head offices out of the UK.

Mr Lamont recognised this problem with the promise to establish a special tax regime for such companies from the 1994-95 tax year. He said this would promote London's position as Europe's leading financial centre.

Mr Lamont's second main proposal is that dividends paid out of non-UK profits be classed as a "foreign income dividend". This was welcomed by companies which earn substantial proportions of their profits from abroad. Many do not pay enough UK corporation tax to offset the whole of their ACT liability.

Companies said they wanted to examine the consultative document, which the government issued, before commenting in detail. However, BAT Industries, the tobacco and insurance group which made about 85 per cent of its 1992 profits overseas, said it welcomed the consultative process. Mr David Allvey, finance director, said "at least he's picked up the baton and he's going to run with it".

Mr Neville Bain, chief executive of Coats Viyella, Britain's biggest textiles company which makes 70 per cent of it profits overseas said: "It is a positive recognition of the trap of double taxation. A company like ours would be a major beneficiary of this. Up to last year we had accumulated about £100m of unrelieved ACT and were adding about £20m a year."

However, companies pointed out that the foreign income dividends would not entitle non-tax paying shareholders, such as pension funds, to a tax credit. They said that such shareholders may demand higher dividends or may sell shares in companies with large overseas profits.

The move to cut the rate of ACT from 25 per cent to 20 per cent was also welcomed, as it will give a cash flow benefit to companies, estimated by the chancellor at £2bn over the next two years and reduce the surplus build up by £300m a year. Companies were less enthusiastic about the chancellor's decision to stamp out the practice of buying companies simply for their ACT-offsetting capacity.

Industry leaders welcomed the measures to improve the UK's much-maligned export credit system, helping businesses win contracts abroad in fiercely competitive markets. Over the past two years, recession-torn manufacturers and contractors have complained bitterly about having to compete against foreign rivals able to offer customers – especially in developing country markets – better terms because their export credit is subsidised.

In his speech, Mr Lamont admitted that many British firms are "sometimes at a disadvantage in seeking business overseas." The government had negotiated hard over the years, he said, to secure a reduction in the subsidies offered by other countries.

The two important moves announced yesterday were:

● A further 7.5 per cent reduction in the level of ECGD premiums, following an average 20 per cent cut last year.

● Additional export credit cover of £1.3bn over three years, on top of the total £700m increase for this year and next announced in the Autumn Statement.

British Chambers of Commerce reacted warmly. The measures, it said, would be "a major boost to exporters, at a time when we urgently need to stimulate overseas trade." Mr Neil Johnson, director general of the Engineering Employers Federation, said the export credit measures, along with the changes to advance corporation tax and business rates, would all be seen by EEF members as "ticks in the box".

Maggie Urry and Andrew Baxter

Colin Beere

Case for recovery: Norman Lamont sets out for parliament yesterday where he unveiled tax plans aimed at raising £6.5bn next year

North Sea oil taxes face big overhaul

THE chancellor yesterday took the oil industry by storm with a large-scale overhaul of North Sea petroleum taxes. The industry had no inkling beforehand that he would be proposing such sharp reductions in taxes accompanied by a virtual elimination of tax allowances.

The chancellor said he would reduce the petroleum revenue tax (PRT) rate on existing oilfields from 75 per cent to 50 per cent and eliminate it altogether for new fields.

At the same time and more controversially, he said he would abolish PRT rules that allow expenditure on new exploration and development to be set against profits of existing fields.

The chancellor's changes will vastly simplify the tax regime in the North Sea, cutting out 300 pages of bureaucratic legislation on PRT and also updating the tax rules.

"It will be brilliant," said Mr Tony Craven-Walker, managing director of Monument Oil and Gas, "it will make the system so much more simple." Monument will not stand to gain from the changes since it is not exposed to PRT.

Large companies such as British Petroleum could gain as much as £130m from the change according to some analysts. The company concurred last night that it expected the changes to work out favourably for it.

But the UK Offshore Operators' Association believes exploration costs in the North Sea could quadruple which will hit smallest companies hardest and see a sharp reduction in drilling activity.

The chancellor said existing PRT rules had cost the exchequer £200m in 1991 to 1992 rather than providing the revenue stream that was intended when PRT was introduced in 1975. He said the changes would bring £300m in 1994 to 1995 into the government's coffers and £400m the following year.

Mr Harold Hughes, who heads the industry group – the UK Offshore Operators Association, said: "We're very concerned at the enormity of the change – it will decrease the amount of exploration in the North Sea and put a substantial burden on the industry at a time when it is stretched economically by low oil prices and high costs."

Mr Hughes said that exploration costs for many companies could quadruple as they will be unable to write them off against Petroleum Revenue Tax. In the past, many companies have been able to fund their entire oil drilling programmes by reclaiming PRT they have previously paid on producing fields. This is why the regime cost the treasury £200m in 1991 to 1992.

The chancellor said PRT had become increasingly anachronistic since its introduction and represented a marginal tax rate of 83 per cent. This gives no incentive to companies to keep their costs under control or make the most of their investments, he said.

Oil companies have dreamed up many ways of offsetting PRT over the years and some production assets and even companies have been bought and sold on the basis of the tax shelter they offer.

Deborah Hargreaves

Lloyd's welcomes modification of insurance taxes

YESTERDAY'S decision to modify the taxation of insurance reserves marks the successful conclusion of a long campaign by both Lloyd's of London and the UK's insurance companies and was warmly welcomed by the industry.

New reserving arrangements should improve the industry's ability to insure infrequent but very severe catastrophe losses, which have had a devastating impact in recent years.

The most concrete change announced yesterday concerns the troubled Lloyd's of London insurance market. Under new rules Names – the individuals whose assets support underwriting at the market – will be allowed to establish more generous tax deductible reserves to meet future losses.

Mr David Rowland, chairman, said the industry had "been urging the government for equality of treatment with their continental competitors" by a change in the fiscal regime. "The better targeted reserve would increase Lloyd's ability to deal with the type of risk in which we specialise," he said.

A new tax deductible reserve will replace the current special reserve fund, which allows Names to set aside up to £7,000 each year against higher rate income tax. The level of the reserve has not been changed since 1955.

According to the new arrangements which come into effect to cover the 1992 underwriting year, a Name will be able to transfer up to 50 per cent of profits to the new reserve each year, provided the maximum value of the funds in the reserve does not exceed 50 per cent of the Name's overall premium income limit – the amount of premiums they can accept under Lloyd's rules.

Amounts withdrawn will be made to fund losses or cash calls. Amounts withdrawn that are not used to meet losses will attract tax. The change "should allow Names to plan their business. The current system doesn't really allow them to 'set aside an extra bit just in case'", said Mr John Reed, insurance tax specialist with Ernst & Young.

Mr Ian Roberts, of accountants Neville Russell, said the new rules would encourage Names to set aside profits from good years.

The chancellor also conceded that there "may be a case" for allowing tax relief on certain types of "equalisation" reserve, potentially extending a similar benefit for insurance companies. Most European insurers are already allowed to establish such reserves. A consultative paper suggesting options for ways in which these reserves could be established will be prepared.

Mr Lamont indicated in his speech that the reserves would have to be "within the industry's regulatory framework".

Mr Mike Jones, chief executive of the Association of British Insurers, the trade association, said: "We have been plugging away for some time. It is obviously a step in the right direction. They have accepted the principle of change." However, he said the industry's "rapture" must be modified until more details of the proposed changes become available.

Lloyd's welcomed the simplification of other aspects of the tax treatment of Names. The most important change concerns new rules for the taxation of gains accruing from the capital appreciation of premium trust funds, made up of the insurance premiums earned by underwriters. The chancellor proposes to tax such gains as income rather than capital, bringing Lloyd's into line with insurance companies.

Richard Lapper

Environmental measures greeted with scepticism

ENVIRONMENTAL groups and economists welcomed the "green" measures in the Budget but were sceptical that they would play much part in helping the UK in reaching environmental targets.

The imposition of VAT on domestic fuel along with increased taxes on petrol and car use were presented as green policies to help the UK reduce emissions of carbon dioxide. The decision follows the UK's decision at the Rio Earth Summit last July to stabilise carbon dioxide at 1990 levels by the year 2000 to combat global warming.

Mr David Pearce, economist with the Centre for Social and Economic Research on the Global Environment described the budget as "encouraging and surprising: this is the first time that he – or any other chancellor – has mentioned the environment in any significant way and that partly reflects the advice he got from his seven wise men".

Economists, however, were cautious in predicting that the tough stand on car use – justified because transport "is the fastest growing sector" of carbon dioxide emissions – would have much impact.

Energy specialists pointed out yesterday that demand for transport is notoriously unresponsive to price rises. The Petroleum Industry Association, representing major oil companies, has pointed out that the petrol price rises in the early 1970s took years to feed through into a demand for more fuel-efficient cars.

Economists are concerned that the VAT imposition will give less benefit than expected because demand for domestic fuel is unresponsive to price rises. Mr Patrick Lane, of Oxford Economic Research Associates, said: "It might take a much higher tax than this to have a real impact. VAT is a very blunt instrument - different fuels contain different amounts of carbon."

Mr Andrew Warren, director of the Association for the Conservation on Energy said: "On our sums, the most the VAT imposition could do would be to reduce carbon emissions by 2m tonnes of carbon by the time it is fully effective – probably 1986-7." The government estimates that the UK needs to reduce carbon emissions in the year 2000 by 10m tonnes from the projected 170m tonnes.

Mr Warren attacked the chancellor's comment that the transport and domestic fuel measures would take the UK "two thirds of the way" towards those targets. "At best, the domestic fuel measures could takes us 20 per cent of the way to the government's targets."

The chancellor's insistence that EC-wide carbon or energy taxes would not be imposed on the UK by the European Commission came as no surprise, however, as it repeats the tough stance taken by the UK in Monday's Ecofin council meeting in Brussels.

Brussels ministers have interpreted the stance as leaving room for co-ordinated taxes by EC members. Despite the scepticism expressed by some environmentalists and economists, the Budget's measures may be welcomed in Brussels as the UK's contribution to that policy.

Bronwen Maddox

Reform of UK gilt sales unveiled

MR NORMAN Lamont yesterday unveiled a widely expected reform of gilt sales in Britain, moving away from the so-called "full-funding" rule to one of "under-funding".

This allows gilt sales to banks and building societies to count towards the PSBR target, predicted next year to reach £50m.

By reducing the amount of gilts that need to be sold to other investors, this is intended the ease the pressure on the gilt market and prevent long-term interest rates from rising.

The City, however, warned the changes announced in the Budget will not relieve pressures in the gilts market unless further amendments are made to the way the UK's public sector borrowing requirement (PSBR) is funded.

Banks and building societies have bought £5.5bn of gilts in the first 11 months of the current financial year, up from less than £1bn in the whole of 1991/2. Most said yesterday they would be unlikely to increase these holdings unless the Bank of England designed some gilt sales to suit the needs of credit institutions.

A change in policy to issuing more shorter-dated gilts, with maturities of less than five years, would encourage more buying, a number of banks and societies said. This is because banks prefer to hold short-dated bonds for liquidity purposes, and because longer-dated gilts are more vulnerable to changes in inflation.

Mr Peter Wood, of Barclays Bank, said he anticipated moves to ensure the issue of more short-term gilts which the banks would find attractive.

Banks said the difference between money-market interest rates and short-dated gilt yields would have to widen to make it attractive for them to buy gilts. At the moment, money market rates are just below 6 per cent, while five-year gilts yield only half a percentage point more.

Mr Richard Goeltz, chief financial officer of National Westminster Bank, said British banks would require a more attractive yield on two or three year bills if they were to start increasing their portfolios substantially.

In the US, by comparison, a wider differential in the bond market between money-market interest rates and short-term bond yields encouraged US banks to take their holdings of government bonds up to nearly $700bn at the end of 1992, from around $450bn two years before. This has helped both to fund the government borrowing requirement and guarantee the banks a profit.

Richard Waters and John Gapper

Government gives green light to £300m Heathrow Express

THE UK government yesterday gave the go-ahead for the £300m express rail link between London and Heathrow Airport, Europe's busiest hub, but also raised fears over the future of other transport projects.

Approval for the Heathrow Express, a joint venture between state-owned British Rail and BAA, the private sector airport operator, means passengers will be able to travel from London Paddington station to Heathrow airport in 16 minutes when the line opens in 1997.

Specially designed electric trains will travel along existing British Rail tracks for three-quarters fo the journey before turning off along a newly-built spur to the airport.

The project will cost £300m, of which £51m will be equity. BR will contribute £15m, giving it a 30 per cent stake in the venture, and BAA will contribute £36m, giving it 70 per cent. The balance will be raised in commercial debt.

There was concern, however, that although the chancellor announced the government would be prepared to contribute towards a privately-funded Channel tunnel rail link, he gave no indication of where the private sector funding was to come from.

He also raised the spectre of long delays for central London's badly-needed £1.8bn CrossRail scheme by announcing that it would be re-appraised as a candidate for private sector financing.

Mr Lamont's announcement on the Channel tunnel rail link, although presented in positive terms, marked a climb-down from the government's previously-stated intention of getting the line built entirely by the private sector.

He conceded that it would now be necessary for the government to make a financial contribution to the £2.5bn project to reflect the fact that the line would be used by long-distance commuter trains.

He also delivered a slap in the face to Sir Bob Reid, British Rail's chairman, by announcing that the link would run into London's existing St Pancras station in north London instead of the new £1.4bn terminal BR had hoped to build at King's Cross.

Details of the route are expected today.

Mr Lamont's plans for CrossRail, a main line railway link between London's Paddington and Liverpool Street, will cause deep concern in the capital because the project had previously figured in the government's spending programme as a firmly committed public sector project.

The scheme is by far the biggest public transport project in the pipeline for central London, but re-assessing it now as a scheme for possible private sector participation will be seen as a way of deferring it into the indefinite future.

Mr Norman Lamont held up all three projects – the Heathrow Express, Channel Tunnel link and Crossrail – as examples of ways in which his autumn statement on public spending, aimed at attracting private sector funding into transport infrastructure projects, had moved forward.

Construction companies and investment bankers yesterday expressed disappointment therefore that no fresh projects had been announced by the chancellor.

Mr Joe Dwyer chief executive of Wimpey said: "I would have preferred to have seen some less ambitious projects being approved as well, which would provide a more immediate stimulus to the economy."

Mr Patrick de Pelet, at Kleinwort Benson, said the list of projects was very limited. He was disappointed that there had been no mention of plans for joint ventures between private companies and public authorities to finance new roads. In particular there will be disappointment that there was no mention of the Birmingham orbital toll road which the government indicated last Autumn might be funded jointly the private and public sectors. "The chancellor's statement will be judged by the vigour with which the government now pursues these rail projects," said Mr de Pelet.

Mr Brian Wilson, Labour transport spokesman, called the announcement on transport infrastructure "a bit of an anti-climax",

Richard Tomkins and Andrew Taylor

FINANCIAL TIMES

A Budget good only in parts

IN THIS, the last British Budget for revenue alone, Mr Norman Lamont's political job was to salvage the reputation of his party and of himself. He had to offer a credible prospect for economic recovery and a tolerable profile for public sector borrowing in the medium term, alongside imaginative ways of raising the money.

The mass of detail, particularly administrative detail, that the chancellor inflicted on his audience inevitably dulled the effect. But this is not the only reason why this Budget could do little to lift the hearts of his party, the nation or, for that matter, investors in government bonds, even though it should bring cheer to the boardrooms. The deplorable state of the public finances made it unavoidably depressing. Mr Lamont might have done better – *not merely economically, but* even politically – if he had made the best of his plight by being tougher. Nonetheless, he deserves at least one cheer for his efforts.

The central tasks the chancellor set himself were to help recovery and tackle the deficit in the medium term. On the recovery, he has taken three risks. First, *by announcing tax increases of £6.7bn for* 1994-95 and £10.3bn for 1995-96 from an indexed base, he may discourage spending almost as much as if those increases took effect this year. Second, by failing to guarantee anything like a balanced budget in the medium term he may have threatened prospects for still lower long-term interest rates. Finally, by failing to take *more decisive fiscal action* he may have given himself less room than he could to lower short-term interest rates if needed.

Since the second and third of these risks offset the first, the balance must be a matter of judgment. So far as the imme*diate recovery is concerned, Mr Lamont* may well have judged rightly. Furthermore, even if he believes that "interest rates at their current level are consistent with the achievement of the government's inflation objectives", Mr Lamont has room for manoeuvre on this most important of *all instruments. In addition, by modifying* the "full-funding" rule, the chancellor will *allow government borrowing to affect the* growth of the money supply. Especially now that he has reinstated a monitoring range for broad money, this must be a sensible, though belated, change.

In his discussion of the ERM – the guiding light of *monetary policy* only a year ago – he even came close to suggesting that everything was for the best in the best of all possible worlds. The ERM had, it seems, helped to get inflation down when that *had to be done* and had then spewed sterling out precisely when it was opportune in order to lower rates. For the short term at least, Mr Lamont must be right in this judgment. In the light of the succession of monetary policy disasters, however, the question has to be whether *the freedom of manoeuvre* the government now enjoys will be used aggressively enough in the short term and *wisely* enough in the longer term.

Here the chancellor's medium-term fiscal judgment must be doubted. He is to be commended for proposing fiscal changes *that will come* into effect in 1994-95 and 1995-96. That is precisely what a medium-term strategy should *provide for a coun*try in the UK's current plight. The question is whether budget measures that deliver a fiscal adjustment rising from 1 per cent of gross domestic product in 1994-95 to 1.7 per cent in 1997-98 are enough.

Not only does the chancellor forecast a public sector borrowing requirement of 8 per cent of GDP in 1993-94, but it is still 3¾ per cent in 1997-98. Moreover, the ratio *of net public sector debt to GDP* is forecast almost to double, to 50 per cent, by 1998. Yet this, it should be recalled, was a government that promised not long since to balance the budget over the cycle.

The forecasts for growth of non-North Sea GDP that underlie these fiscal projec*tions – 1¼ per cent between* 1992-93 and 1993-94, followed by 2¼ per cent in 1994-95, 2¾ per cent in *1995-96 and 3 per cent* thereafter – are not particularly optimistic. Nevertheless, much can still go wrong. Just how much is shown by perusal of forecasts made only a year ago – *admittedly, just* before an election – when the PSBR was supposed to be a mere 4¾ *per cent of GDP in* 1993-94 *and* 1 per cent in 1996-97.

Once the chancellor had made the bold decision to announce future tax *increases* now, he should surely have gone further. Increases of 3 per cent of GDP by 1997-98 would *have given far* more confidence that further tax increases would not be needed. Further action would *have* been particularly sensible for a British government that enjoys complete monetary pol*icy freedom* once more and is headed by a prime minister who mutters about strategies for growth. The *chancellor* may well find himself raising taxes again.

In its detail, the Budget is very good *in* some parts, not so good in others. It is a pity that the opportunity was not taken to *announce* the abolition of mortgage interest relief altogether, which would have done much *to raise additional revenue.* It is also a pity that the steady transformation of the 20p rate into a new basic rate of tax is making the structure of income tax system more complex. It is a pity too that the increase of one percentage point in employees' national insurance contributions guarantees further life for what to is just another – *and more regressive* – income tax.

First impressions are that the balance of *these measures,* with large increases in revenue from VAT on domestic fuel and power and national insurance contributions, will be regressive. The chancellor insists they are broadly proportional, however, *partly* because of the restriction of the married couple's allowance and mortgage interest relief to the 20p rate and the changes in the treatment of advance corporation tax as well.

Unquestionably, there is much here to commend: the package of deregulatory measures for business, for example, and *the measures to relieve* the burden of surplus ACT. The Budget is cleverly green in its decision to raise *the real burden* of duties on petrol. Even more important is the chancellor's decision to raise revenue *without* increasing marginal rates of tax. Here he has done far better than Mr Clinton.

In the end, however, this is a Budget with lots of good little ideas rather than one good big idea. The exception is the decision to announce future tax increases now, *the* drawback being that this action does not go far enough. This was a competent and professional *performance, but* the country could have done with something a good deal more dramatic.

Samuel Brittan

It really is an Augustinian Budget

In previous articles I have urged the case for a Budget *along the lines of St.* Augustine's plea: "Please God make me chaste, but not yet." But the Budget contains measures which will raise revenue by £6.7bn *in 1994-95 and by* £10.3bn in 1995-96, on an indexed basis. But they will *yield* less than £0.5bn - virtually nothing - in the coming financial year. The revenue raising measures are to be ena cted in the coming Finance Bill; so they are *not in the category of so many* American Presidential promises to do better in later years.

Moreover, most of the tax measures are sensible reforms in their own right - with the exception of the lower tier tax band. So if relax*ations turn out to be required,* because of the state of the economy a change in the Budgetary outlook or - by no means least important - a change in fiscal fashion, it would be very easy to reduce tax rates without going back on the present Budget. *For there a re almost* no increases in rates. The revenue is raised by removals or restrictions of reliefs, or abolition of exemptions. The two most important revenue raisers are the *extension of VAT to* domestic fuel and power and the *increase in* employee National Insurance contributions, which is almost the same thing as an increase in the basic rate of 1p in the pound for most taxpayers.

I should, however, break off the macro-economics to say that poten*tially by far the most important* innovation came in a little-noticed paragraph towards the end. Here, Norman Lamont embraced on an experimental basis to be tried in three or four regions, Professor Denis Snower's proposals to allow *the long-term unemployed to trans*fer their dole money as a wage subsidy to a potential employer. I receive more letters from intelligent readers on the absurdity of paying the unemployed to do nothing rather than something than on *almost any other subject. The* announcement has the same kind of long-term potential as Nigel Lawson's embrace of Profit Related Pay in his 1986 Budget speech, which is only now beginning to take off. It would, however, be idle to pretend that either of these measur es, or *both combined, or the other labour*-market measures, will be remotely *sufficient* if there really is a long-term structural unemployment problem due either to deficient demand or to changes in the labour maket detrimental to jobs and pay.

Potentially by far the most important innovation came in a little-noticed paragraph at the end

The Budget speech did not really discuss these far-ranging issues - *either* on a British or an international basis. But the Budget Red Book does *provide so me material* on which to reflect.

Nothing will stop financial readers from paying most attention to the projections of the Public Sector *accounts. These show the* usual hump-backed picture. The deficit measured by the Public Sector Borrowing Requirement reaches a peak of £50bn or 8 per cent of GDP in 1993-94. It then gradually declines to £30bn or 3x in 1997-98. In fact, the *underlying decline is somewhat* better, as privat isation proceeds tail off from £8bn in the year now coming to an end to £1bn per annum in the second half of the 1990s.

What this Budget has really done is to substitute a medium-term fis*cal strategy for a medium-term* monetary one. This has been achieved by the device christened by the Treasury as the wedge which imposes very small tax increases in the coming year, but which build up to large amounts in the two years *following. The main fault of* the Budget speech was that it was much too long and badly needed subbing. The strategic parts could have been highlighted very much *more; and much of the detail could* have been relegated to press notices or the *Finance Bill. The chancellor* will have to engage in this kind of subbing when the new unified November Budgets start. For it simply will not be possible to introduce yesterday's degree of tax accountants detail into a speech which also covers spending.

Having said all this, a closer *study of the Red Book reveals a* fundamentally disquieting economic outlook. If one takes the Treasury's central projection, it is not until 1994-95 that growth, out*side the North Sea, catches up* with the present best-official guess of the growth of productive capacity, namely 2¼ per cent per annum, even in the later 1990s growth is only put at 3 per cent, leaving o nly a moderate and belated taking-up of the slack. *As the second table* shows, the growth projections are a good deal more pessimistic than those published a year ago. The implication is that unemployment *and unused capacity will carry on* rising, at least until 1995.

Not only have growth forecasts been revised downwards, but inflation prospects have been revised upwards. Underlying inflation is still expected to be down to 2 per cent by the later 1990s, but it is expected to remain in the 3 to 4 per cent *band* - the upper part of the Chancellor's range -until well into *the middle of the decade.*

In a rather interesting innovation the Treasury publishes alternative growth assumptions for the medium term, from 1994-95 onwards. These are only half a per cent on either *side of the central projection.* But they make an enormous difference to the PSBR projections. On the optimistic scenario the PSBR drops by 1997-98 to 2¾ per cent - within the Maastricht guidelines on the pessimistic scenari o it drops to only 5¼ per cent, which most mainstream analysts regard as unsustainably high.

This Budget has substituted a medium-term fiscal strategy for a monetary one

If the more pessimistic growth *rate is due to a low underlying rate* of productivity increase, then there would be *little disagreement* that still more public spending curbs and/or tax increases would be required. But *supposing low growth* is instead due to deficient demand and a *slack* British or world economy, as is quite possible - although not as probable as most of the businessmen whom I meet seem to think. What would the implications then be? *Surely,* in such a case, either the deficit should be allowed to run; or retrenchment measures would have to be more than offset by a sufficient loosening of monetary *policy.*

These issues are entirely dodged by the Treasury documents. Monetary policy will supposedly be influenced by four main indicators - broad and narrow money, asset prices and the exchange rate. But despite the monetary ranges for the monetary aggregates, we are back to a state where the Treasury flies by the seat of its pants and waits *the four in any way it likes, or can* get away with.

I am not just making the usual teasing point. Nowadays, one should expect two main features *from any monetary strategy. These* are some assurance that demand in nominal terms will grow fast enough to avoid a prolonged depression, but also some assurance at the *other end of the range of fears that* inflation will not be allowed to stray outside the Government's own guidelines. Neither is provided ; and the reduction of the section on the exchange rate to two brief historical sentences speaks volumes. A monetary strategy *has still not been* found to replace that of the ERM - which would in any case have had to be supplemented by a monetary strategy for all the core member countries.

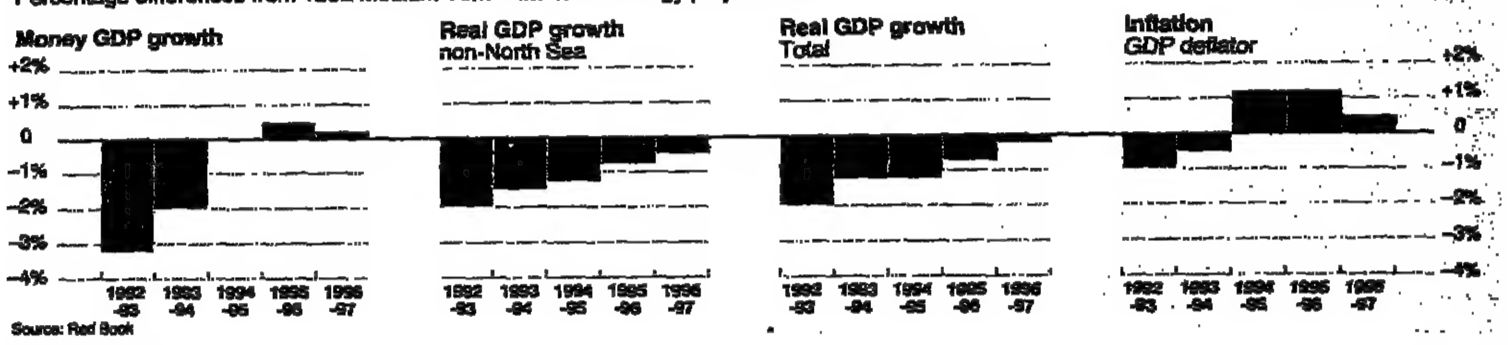
Prospects: the Treasury's view

Public sector borrowing requirement (£bn)

	1991-92	1992-93	1993-94	1994-95	1995-96	1996-97	1997-98
General government expenditure	236.1	260	280	296	314	329	342
General government receipts	222.2	224	229	251	275	293	311
General government borrowing requirement	14.0	36	51	45	40	36	31
Public corporations' market and overseas borrowing	–0.2	–1	–1	–1	–1	–1	–1
PSBR	13.8	35	50	44	39	35	30
Money GDP	580.4	599	628	671	716	756	792
PSBR as per cent of money GDP	2.4	5¾	8	6½	5½	4½	3¾

Changes in the official forecasts

Percentage differences from 1992 Medium Term Financial Strategy projections



Source: Red Book

A few more ticks than crosses

Tony Jackson assesses the impact on industry of the Budget and says the government's conversion to the cause of manufacturing is more than rhetoric

This was billed as a Budget for industry, and not without reason. Manufacturers who sat down to listen to Mr Lamont with their shopping lists *in front of them will have ended up* with more ticks than crosses. There was more help on export credits, business rates and capital gains tax. There was no extension of VAT on food or children's clothes. There was a list of infrastructure projects, from the Heathrow line to the Channel Tunnel link. Above all, there was *the remarkable concession on* advance corporation tax.

Granted, there was one big omission: the extension of tax breaks on capital investment. Mr Neil Johnson, Director-General of the Engineering Employers' Federation, complained of the "apparent lack of understanding" of the role of capital allowances *in stimulating* investment. "This budget does nothing to bring about the massive switch from consumption to investment which is essential for lasting recovery".

The same point was raised by the machine tool industry. "We were disappointed", said the Machine Tool *Technologies Association,* "that little emphasis was placed on improving investment in high technology. This Budget fell short of directly encouraging UK companies to invest and to meet the anticipated recovery".

But this seems rather harsh. In its whole approach, the Budget shows that the government's conversion *to the cause of manufactur*ing goes beyond rhetoric. There are two distinct themes. The emphasis on exports suggests that the decline in the manufacturing trade balance has the government badly rattled. The stress on small business shows *it accepts that small and start-up* companies are the most reliable source of new jobs.

The clamour for help on export credits would have been dismissed, in the high Thatcherite days, as a plea for competitive subsidy. There was none of that yesterday: instead, the Chancellor went out of his way *to assert that the benefits enjoyed* by UK exporters would now be as high as the average among the Group of Seven leading industrial nations.

Similarly, the chorus of complaints about advance corporation tax would in more robust days have been waved away. The level of dividends paid by companies to their shareholders, a Thatcherite might say, is a matter for the parties involved. If it leads to surplus ACT, the company is simply paying too much.

But the situation had two awkward *consequences for UK* investment. UK companies had an incentive to incur their expenditure abroad, as a means of keeping their UK taxable profits as high as possible. *Just as important was the effect* on foreign companies. Under the old rules, a US corporation running factories in Germany but with its European headquarters in the UK would be *penalised, since it would* pay surplus UK tax on dividends remitted to the US. Inward investment, it appears, is now too crucial to the UK economy for such an anomaly to be tolerated.

As for small business, the list of *measures is as full as the average* entrepreneur could realistically have hoped *for.* The freeze on the much-hated Uniform Business Rate has been continued for another year. There has been an extension of the loan guarantee scheme for small companies. When entrepreneurs sell their companies, they will *be able to roll over their capital* gains tax liability if they spend the proceeds on starting a new business: and so on.

More generally, there was collective relief in the business community yesterday that the Budget was neutral in its impact: *in other* words, that the government was not about *to take risks with the* recovery. As Sir Denys Henderson, chairman of Imperial Chemical Industries, put it: "it was appropriate not to have increased the overall tax burden until the recovery is confirmed".

Next year, of *course, might* be another matter. The hard-line Institute of *Directors last* night sounded a note of protest: "we are alarmed that the tax increases from April 1994 will be equivalent fo more than a 5p increase in income tax. This is *not sustainable,* and business wants to see at least matching reductions in public spending".

But as the Chancellor will have calculated, a year is a long time in *the business cycle.* In the meantime, it is hard to see that the government could have done much more without having more hard cash at its disposal. Indeed, in the matter *of ACT,* it showed considerable ingenuity in finding money to hand to industry by the simple expedient of picking the *pockets* of the investing institutions.

British Industry: a package of measures

And above all, *it* continued to soothe and flatter industrialists. The only way to secure growth in the medium term, Mr *Lamont* said, was through the supply side of the economy. The greatest threat to recovery in the medium term would be excessive public borrowing. Above all, he said, he *would* resist job-destroying measures emanating from *Brussels.* "That is why this government will never sign the *Social Chapter".*

As Lord Keynes remarked, one of the crucial determinants for getting out of recession is the animal spirits of businessmen. How far the Chancellor has raised those spirits will not be immediately *apparent.* But he could be lucky in his timing; as he said yesterday, the latest survey from the Confederation of British Industry suggested that confidence among manufacturers was recovering already. At any rate, he has given the most concrete proof to date that the *government* is genuinely concerned about manufacturing. For industrialists with vivid memories of the very different cli*mate* of the 1980s, that is quite a lot to be getting on with.

Joe Rogaly

Major's second manifesto

It is not so much a Budget, more Mr John Major's second election manifesto in a year. Rather like President Clinton in the US, the prime minister and his chancellor have collected every marketable proposal that a posse of policy wonks could think up and put the resulting list of items forward as a strategy for growth without inflation, a deficit-reduction plan that causes no obvious or at any rate immediate outstanding pain (except, marginally, to high earners), a road map for the coming three years. Running down its centre is a broad highway. The direction arrow contains the simple words "general election 1996".

Taken as a whole it will do what all manifestos do. It will initially befuddle the electorate. There was so much unnecessary detail in Mr Norman Lamont's inordinately long and at times soporific speech in the Commons yesterday that only the prime minister, whose personality this Treasury-driven peroration suited to a T, could possibly have enjoyed the occasion. I except the one good joke, at the expense of my trade, which was when Mr Lamont expressed doubt as to whether "sewerage and newspapers" were "clearly among the most basic necessities of life". *Touché*.

Lamont's speech sewed up the November Budget and most of the following two

Considered in bits the Budget he read out should satisfy several constituencies. There is plenty of material for Mr Major to draw upon whether or not he actually remounts his election soapbox when he asks his backbenchers, his party and the country to accept for a second time that he is the prime minister of their choice. For although he does not have to face the polls for another three or four years, he badly needs to regain his authority before that.

The government's offering to the City is "grip" – a stated and barely credible determination to reduce the public sector borrowing requirement in stages over the coming few years. In this Mr Major has an advantage over President Clinton. His chancellor can put forward a finance bill this year that will provide for all the increases in taxation promised for next year and the year after *and be reasonably sure that the bill will be passed*. In the US, where a new energy tax is central to the administration's plans, there can be no such certainty.

Just a minute. Mr Major himself cannot be *sure* that his chancellor's extension of VAT to domestic fuel and power will be well received by the Commons. During the coming few weeks the Tory coal lobby will be asked to swallow its disappointment at the number of pits to be saved. It may be a bit tricky to get it to accept an impost that will discourage the use of all fuels after April 1994. Perhaps that is why one of the government's little birds whispered to me the other day that the prime minister had asked the cabinet to go easy on the Maastricht rebels. Their votes would be needed, Birdie said then, for coal closures and for any Budget measures that might prove awkward.

We must, however, wish the chancellor well on this. It is, a decent offering to the green lobby, and one for which all who value the environment should be grateful. Mr Major's commitment at the Rio conference last year to reductions of CO_2 by the turn of the century is being three-quarters met. Mr Lamont will have known that such would be his master's wish. The only spoiler is that VAT on insulation materials was not simultaneously zero-rated.

The chancellor will be hoping for other kind comments today. Safe. Fiscally prudent. Stimulating. A Budget for the little people. A Budget for jobs. A Budget for small businesses, for the regeneration of industry, for the reduction of the deficit, for the greater glory of Britain. Good old Norman. He played to the Europhobic gallery. The cheers following the few passages in which he attacked the European Community must have been music to the chancellor's ears last night. But will they still love him in the morning?

This depends upon events beyond the government's control. Mr Lamont set out a list of measures designed to help the long-term unemployed. The total expenditure – £230m – and the total number of expected beneficiaries – 100,000 – is derisory even at first sight. The number of people out of work is 3m and rising. The long-term contingent is a third of that. This is seed money, little scatterings here and there. It is reminiscent of Mr Clinton's packages for the inner cities. It shows good intent, but will in itself do little to alleviate the fear in the hearts of many families that one of theirs will lose a job, or fail to find one.

The business measures should be welcome to those they benefit – small entrepreneurs, house builders, companies hurt by advance corporation tax, exporters. They too are, mostly, little alleviations, helpful in themselves, but as nothing to the effect of, say, a return to an annual rate of growth in gross national product of 2 to 3 per cent. There is nothing particularly strong or unexpected in the changes in excise duty. Even the 10 per cent increase in the price of petrol, coupled with a pledge to keep up the pressure in later years, should provoke only ritual howls of outrage from the motorists' organisations. We all know that we should use our cars less, or, at least buy fuel-efficient models. The changes in company car taxation will encourage this.

Some of the extra taxes announced yesterday may reasonably enough be derided by Labour as betrayals, in the spirit if not the letter, of promises made during last April's election campaign. The increase in national insurance contributions is an outstanding example. Mr Major showed during question time yesterday that he knows he will have to trade punches on this with the leader of the Labour party. More to the point, the prime minister has an ace up his chancellor's sleeve: a promise of an annual widening of the 20 per cent tax band. This gives verisimilitude to the Tories' commitment to bring the basic rate of personal income tax down to that level.

That pledge is one the government in general and the prime minister in particular take very seriously. As Mr Lamont came to the paragraph about the 20 per cent band yesterday my mind flashed back to last year's campaign, in which Mr Major spread his hands ever wider to demonstrate that that was what the government intended to do. It is clearly a marker for the next election. Cutting taxes for all lower-paid workers is still regarded as an election winner, even though the new bands add peanuts to their incomes, and take a larger number of peanuts away through non-indexation of allowances and the increases in national insurance.

In short, the Budget is a campaign manager's handbook. It enables Mr Major to engage the electorate in a fresh dialogue, in the manner of Mr Clinton. Mr Lamont may attempt the same exercise. Over the coming weeks, he plainly intends to. This is understandable. He would like to keep his job. His speech yesterday sewed up the November Budget and most of the following two. But Mr Lamont's tenure on his office depends upon forthcoming speeches – upon how he performs during Mr Major's summer campaign for the reassertion of the prime minister's own leadership. They could both be saved, if the economy reviews and floats them out of danger. But that is up to fate, a force greater than any Budget.

Tax change which will move markets

John Plender says reforms to ACT may be esoteric but will have far-reaching effects

Changes in the treatment of advance corporation tax (ACT) may sound esoteric, but they are among the most important reforms in the budget. This is partly because anomalies in the current system greatly distort corporate investment decisions. For many of Britain's larger companies which have substantial tax liabilities in foreign countries as well as in the UK, the impact of ACT incorporates a powerful incentive to incur high costs overseas and to generate high profits in the UK. One result of this quirk, which British multinationals have frequently brought to the Treasury's attention, is that there is a temptation to move knowledge-intensive activities such as research and development to foreign subsidiaries.

This is bad news for pension funds, which are exempt from tax on dividends

But Mr Lamont has used the opportunity presented by this problem for a more fundamental reform of the tax credit arrangements that apply to companies and shareholders. This will have implications both for the stock market, and for the income of institutional investors and higher rate tax payers.

The ACT problem began when Britain shifted from a "classical" corporation tax to an "imputation" system under the Heath government in 1973. In the classical system, the company pays corporation tax on its profits. Then, when it pays a dividend, the shareholder pays income tax on the receipt. The disadvantage of this system is that the owner's profit is taxed twice – once in the hands of the company, then in the hands of the shareholder when distributed.

Under an imputation system this double taxation is eliminated. Today British companies pay corporation tax at 33 per cent on profits. They then deduct 25 per cent of the gross dividends paid out, in what amounts to an advance collection of income tax. But the deduction is called advance corporation tax and can be offset against the mainstream corporation tax liability of 33 per cent on overall profits.

The problem of unrelieved, or surplus, ACT arises where company dividends are larger than the mainstream corporation tax bill in the UK. In the present recession, companies that are paying dividends out of reserves fall into this category. But the more important group consists of companies that earn most of their profit overseas. Since their UK tax liability is usually reduced by the amount of foreign taxes they pay, they can find themselves with inadequate mainstream tax against which to offset the ACT. So their foreign profits are taxed twice, abroad and at home.

Such companies will be pleased that the Chancellor has responded to their complaints. He proposes that dividends paid out of overseas profits should be separately classified as "foreign income dividends"; companies would be entitled to a refund if the dividend payment gave rise to surplus ACT. But no tax credit would be available to shareholders on the dividend, which raises a question about whether dividend-conscious institutional investors might find such shares less attractive.

The more fundamental reform suggested by Mr Lamont is a reduction in advance corporation tax for all companies in two stages, from 25 per cent to 22½ per cent in 1993-4, and 22½ per cent to 20 per cent in 1994-5. At the same time the chancellor proposed to reduce the tax credit granted to shareholders in one go from 25 per cent to 20 per cent in 1993-4.

This is bad news for pension funds, which are exempt from tax on dividends. Until now, as owners of companies, they have been taxed at 33 per cent on a company's retained profit and 8 per cent – the difference between the tax credit of 25 per cent and the corporation tax of 33 per cent – on profit paid out as dividends. Henceforth, they will pay 13 per cent rather than 8 per cent on distributed profit. They will yield £1bn a year to the exchequer as a result of the change.

In theory, the pension funds will benefit, in the sense that the companies they own are expected to enjoy a cash flow benefit of £2bn from the changes over the next two years. The capitalised value of the potential tax relief to companies with surplus ACT problems should also, in theory, increase the value of the shares. But actuaries value pension fund assets on the basis of their income. And this will be reduced by the changes, implying, other things being equal, a lower yield on equities for the biggest group of share owners.

This could help the government by altering the attraction of gilts against equities

This could help the government's funding problems by slightly altering the relative attractions of gilts against equities. It could equally be seen as a backdoor way of reducing the cost of the tax reliefs granted on pension contributions. But then the Treasury has long been keen to find a way of clawing back some of this tax break.

The other possible losers could be bankers and brokers in the City. Finding UK acquisitions for companies with surplus ACT problems has produced a steady stream of lucrative fees for mergers and acquisitions specialists.

Formula for future financial turbulence

Raised forecasts for the UK budget deficit will add to jitters in the market for government bonds, says Barry Riley

The debt mountain is getting steeper. By setting his borrowing target for the next financial year at £50bn, some £6bn more than his implied forecast last November, and towards the top of the range of expectation in the gilt-edged market, Mr Norman Lamont has increased the danger that financial turbulence will develop over the next couple of years.

In pulling his punches on tax in the near term – with a neutral overall impact on revenues in 1993-94 – the chancellor has followed the line of six of his seven Wise Men. At least as influential, however, may have been the smoothness with which the funding task has been accomplished so far. The jump in the PSBR from £14bn in 1991-92 to £35bn in the financial year now ending has been financed without crisis and at progressively lower interest rates.

But already the influence of the global bond markets has become slightly less benign in the past week or so, with the US long Treasury bond yield flicking up slightly from its recent 20-year low. As for UK government securities, there was inevitably a setback last night, with falls of just over a point at the long end.

First, however, the positive news for gilts. The widely expected relaxation of the full funding rule duly appeared, with the introduction of a new provision that gilts sold to banks and building societies will count as funding.

This appears to fall a little short of a more comprehensive concession that *all* purchases of public sector debt, including for instance Treasury Bills, would count as funding. However, it is theoretically possible that the UK banking system, which at present has only tiny holdings of public sector assets, could absorb a substantial proportion of the coming year's gilt issues – between £10bn and £20bn, say.

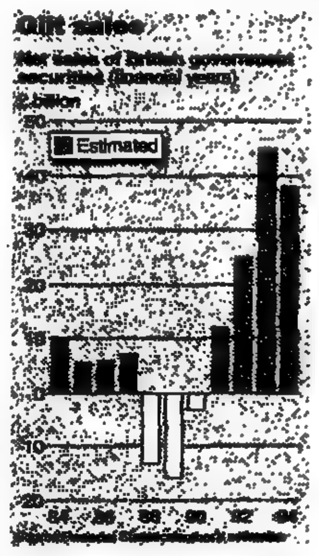
As part of the flexible funding policy the market would have liked to see a target range set for the broad money supply, M4. Instead there is only a "monitoring range" of 3 to 9 per cent, and the 0 to 4 per cent target for narrow money has also been downgraded to a monitoring range just after going through the ceiling. The woolliness of monetary policy therefore remains a worry.

Secondly, Mr Lamont has uttered an Augustinian vow that virtue will be achieved in the medium term. He has proposed "wedges" of new taxation for 1994-95 and later years, and on the basis that the economy picks up speed through the mid and late 1990s the Treasury's computer has been able to crank out some declining numbers for borrowing.

If growth continues to be disappointing, of course, the problem will not fade away as outlined. And even if all goes according to plan the burden of debt will rise substantially: from around 40 per cent of national income at present, public sector indebtedness is likely to climb to at least 60 per cent in another four years.

In itself that would be no worse a position that in the late 1970s and early 1980s. But in the past it has taken several episodes of double-digit inflation, and a ruinous credit-based boom which pushed the public sector into temporary surplus, to control the debt burden. This time, if the government delivers its promise of low inflation, the real cost will be much higher.

Yesterday Mr Lamont promised inflation of 2½ per cent or less (in the bottom half of the 1 to 4 per cent target range) by the end of the present Parliament. But borrowing at the long end of the conventional gilts market at present costs 8.3 per cent. The implied real



rate of almost 6 per cent will impose a heavy burden on future taxpayers.

What is the tactical room for manoeuvre? First of all, the government can now look to the banking sector. Already the banks and building societies have bought £5¼bn of gilts in the first eleven months of the current financial year, but under the previous rule this did not count towards funding. In future, purchases by banks will no longer be incidental but effective in funding the deficit.

The banks will buy only if they are offered a worthwhile yield incentive and are confident that money market rates will stay low

So the authorities are now in a position to pursue active selling to the banks. But they will not normally, the Treasury says, sell gilts of shorter maturity than 3 years. Nor will banks normally wish to buy gilts further out than five years because the capital risk becomes considerable.

The banks will buy only if they are offered a worthwhile yield incentive and are confident that money market rates will stay low. It is on this basis that banks in the US have bought vast quantities of public sector debt. In the UK, however, the yield curve is all wrong at the short end. There is no margin between 6 per cent money market rates and the redemption yield on three-year gilts. Either base rates must go down to 5 per cent or less, or the authorities must pump out new short gilt issues on a 7 per cent yield basis, which would disrupt the market. So we must wait for serious action, perhaps until German interest rates allow sterling rates to be cut. But serious action there must be, and soon.

Who else will take up gilts? The life assurance companies have been active buyers, but pension funds were again net sellers last year, for the sixth year in a row. In all, investment institutions have an annual cash flow of about £38bn a year, but that is unlikely to grow significantly, and in the past they have never put more than about 50 per cent of new cash into gilts. This year, for instance, they are being called upon to subscribe for a series of equity issues by companies.

The other possibility is to sell debt to foreigners. Since last August overseas investors have turned their noses up at gilts, but they might become interested again should sterling strengthen convincingly against the Continental currencies. Then there is the possibility of borrowing in foreign currencies. This year the balance of payments deficit is forecast at £17.5bn, which the chancellor claimed would be "easily financeable": soon the Bank of England will have a chance to demonstrate just how facile a process it can be.

Gimmicks such as tax-free gilt plans for private investors have rightly been shunned. Instead the chancellor is relying on the view that whatever the size of the budget deficit there must be balancing assets somewhere that can be tapped. But the bigger the deficit the less the likelihood that the financing can be done without periodic crises. The higher you climb up the debt mountain the harder you may fall.

BUSINESS AND THE ENVIRONMENT

Demand for fresh water is growing worldwide as the supply is drying up. **Bronwen Maddox** begins a series exploring the quality and cost of this scarce resource

The world's tap seizes up

Water, like energy in the 1970s, will probably become the most critical natural resource issue facing most parts of the world by the start of the next century.

That bald and disturbing prediction, based on rising population growth and pollution, comes from the United Nations Environment Programme. It is contained in the survey of the world's environment, released last year.

Nor is UNEP alone in warning that water resources, which tend to be taken for granted, are coming under strain. A recent report for the European Commission argued just that European growth could be constrained by a lack of fresh water caused by industrial and agricultural contamination.

But Tom Garvey, deputy director general of the environment directorate in Brussels, speaking at this week's Financial Times European water conference, stressed that the Commission was also increasingly aware of the high cost of raising water standards further.

As such statements make clear, the economic and political pressures accompanying the growing demand for water are the focus of growing worldwide attention.

UNEP makes a good case that fresh water resources are scarce. The proportion of the planet's water that is fresh rather than salt is tiny: only some 2.6 per cent. Nor is it easy to reach: more than 99 per cent is held as ice or snow at the poles or is underground, and almost half the rest is locked up in living organisms, soil and air vapour. The rest is in rivers and lakes but poorly distributed across the surface of the world – Lake Baikal in Siberia, roughly the size of Belgium, accounts for a fifth.

Meanwhile, demand for fresh water is rising, spurred mainly by population growth in developing countries and by the spread of agriculture. According to UNEP, the world's use of fresh water increased nearly fourfold in the last 50 years to 4,130 cubic kilometres a year.

Agriculture soaked up more than two thirds of the total – the area of irrigated land has increased by more than a third in the last two decades. The growth in Asian demand is the fastest, and by 2000 UNEP expects Asia to use nearly two thirds of the world's water compared with just over half now.

The increase in pollution in many countries is aggravating shortages further. A worldwide monitoring scheme, backed by UNEP and the World Health Organisation among other UN agencies, suggests that as many as 10 per cent of all rivers monitored are polluted.

One of the biggest problems in both industrialised and developing countries is contamination by agricultural chemicals. The nutrients nitrogen and phosphorus lead to algal blooms – such as those that recently disfigured the Venetian and Baltic coasts – which kill river life by stripping oxygen out of the water. Organochlorine pesticides are also a concern as they accumulate in the food chain; UN agencies report that rivers in some developing countries such as Colombia, Malaysia and Tanzania show higher levels than in European rivers.

Poorly managed irrigation can also lead to salinisation and degradation of agricultural soils, and irrigation remains notoriously inefficient, with around half of the water lost by seepage or evaporation before it reaches the fields.

Industrialised countries have the additional problems of high levels of poisonous heavy metals such as mercury – the rivers Rhine and Meuse are considered to be two of the most polluted in Europe.

While signatories to last year's treaties on marine pollution and dumping were divided about the deep seas' ability to absorb pollution, there is more agreement that the world's fresh water cannot adequately dilute these levels of pollution, and pollution control is needed to meet future demand for water.

Despite these strains, some standards have improved. During the 1980s, the number of people without clean water has declined from 1.8bn to 1.3bn in the 1980s out of the total population of some 5bn. Two-thirds of people living in towns now have access to sanitation compared with 56 per cent in 1980.

A big worldwide dam-building programme has helped to increase supplies: the world's rivers and lakes now feed into 36,000 large dams, half in China, compared with just over 5,200 dams 40 years ago, of which eight were in China. However, high population growth has held back the improvement in sub-Saharan Africa, while conditions in parts of Latin America are also critical, where little urban domestic waste is treated.

Pollution control in industrialised countries has also shown some success: the Rhine and Meuse have seen concentrations of lead and zinc, arsenic, copper and mercury fall in the past 10 years. However, Garvey said that "in spite of the efforts over the past two decades, it is disappointing that the state of the aquatic environment in the Community has not improved to the extent expected".

There are signs in some regions that pressure on fresh water supplies is beginning to hold back development. The UN, which estimates that water use is now growing at less than 1 per cent a year compared with 2.3 per cent in the mid 1970s, attributes the slowdown to shortages of water suitable for irrigation as well as to recession.

It is also becoming clear that the cost of cleaning up and avoiding shortages is much higher than some early estimates decades ago suggested. The UK water industry has embarked on a decade-long programme of improvements which may eventually cost more than £45bn in 1990 prices. Around half of that is driven by European Community environmental directives: water companies and ministers across Europe now ask whether some of those standards are unnecessarily high.

The Commission's environment directorate said on Monday that it would review almost all of its water directives this year in response to the charge that some were set more by environmental enthusiasm than by science.

However, even extensive dam building and pollution control – if it can be afforded – will not solve all resource problems. Many regions pursue water policies that are inefficient or could prove hard to sustain – such as Israeli exports of citrus fruit, or rice-growing in southern California – purely for social or economic reasons like earning hard currency, preserving a traditional industry or preventing migration from the countryside to the town.

In other regions, political tensions are likely to grow over the control of water supplies, even if ways are found to increase supplies. Nearly half the world's land is fed by water basins that cross national borders and well over 200 countries share important rivers and lakes.

Natasha Beschorner, in an illuminating pamphlet last year entitled "Water and Instability in the Middle East" for the International Institute for Strategic Studies, comments: "Water is a useful reminder of dependency." She adds: "Israel, Turkey and Egypt . . . have little incentive to concede what they regard as a strategic asset, namely priority usage," although she argues that water resources, overshadowed by the region's other political problems, can be overstated as a source of tension.

Many have also forecast future political instability in the Central Asian republics of the former Soviet Union. The five countries Uzbekistan, Tajikistan, Turkmenistan, Kazakhstan and Kirgizstan share two rivers, the Amu Darya and the Syr Darya, and the Aral sea, once the earth's fourth largest inland body of water. The sea has lost nearly two thirds of its volume in the past three decades as the rivers that feed it are drained for growing cotton, which is sold overseas to raise hard currency.

Beschorner is right that prophesies of crisis from water shortages are easily and too frequently made. However, the complexity of the problems across both the developed and developing world supports UNEP's belief that the question of where clean water will come from next – and how much it will cost – will remain high on the international agenda.

The series will continue next week by examining water supply in the United States.

Testing time for air pollution

Peter Knight examines new methods to gauge emissions

More accurate instruments for measuring air pollution, which often give higher readings than expected, are troubling many companies which may have to spend more than anticipated on controlling emissions.

This is especially true in the chemicals and petrochemicals sectors, which are under pressure to reduce air pollution levels (mainly volatile organic compounds). VOCs are the vapours given off by chemicals used in industry such as solvents and petrol. These collect in the atmosphere and react with sunlight to form photochemical smog and low-level ozone.

"The new measuring techniques enable businesses to assess realistically what their losses of high-cost products are, whereas they only had estimates before," says Peter Woods, head of environment standards at the UK's National Physical laboratory.

It is this precise knowledge – in some cases much higher than traditional estimates – that is worrying refinery owners and bulk chemical manufacturers. Governments are attempting to meet UN targets for cuts in air pollution and these companies have to be seen to act on new information about the extent of their emissions. However, there are often insufficient funds to pay for the necessary improvements to factories and plants.

"The business has to make a decision about the cost of losing its products versus the cost of saving them. If you are losing £1m a year in product, but it is going to cost £20m to save it, then you are probably going to wait until after the recession before you start spending," says Woods.

The pressure is growing because the UK government is thinking of specifying the instruments as part of a legal obligation in the Environmental Protection Act. This says companies must control pollution by using the "best available techniques not entailing excessive cost".

Joe Draper, health, safety and environment manager for Shell Chemicals UK, says there is some scepticism about the accuracy of new instruments. "Some of the readings are above our conventional estimates, but others are below or about the same. There is still a great deal of investigation needed before we can come to any definitive statement about their accuracy."

There are four main techniques for measuring pollution and product losses.

- Simple accounting - measuring what goes in and what comes out of a process.
- Point monitoring - measurements on emissions or output from specific points in the process, such as the chimney.
- Ambient measuring - catching gases in tubes and analysing them.
- Remote monitoring - measuring certain gases from a distance.

Significant advances are being made in remote techniques. One of the most important is a system called Dial, developed by the National Physical Laboratory with funding from government and industry. Dial, a laser-based system, measures gas concentrations up to 3km away. The system is useful in locating unknown leaks.

"Certain storage tanks, for example, that industry thought were sound, are now found to be leaking," says Mike Woodfield, business centre manager at the Warren Spring Laboratory.

This type of news worries managers who find it difficult to raise funds to invest in a broad range of expected environmental improvements and do not appreciate surprise information from new instruments. But Draper says if the new instruments are right and more product is being lost, this makes it easier to justify the cost of reducing emissions.

Woods agrees there is some scepticism, but other companies see the instruments becoming a necessary part of their armoury to demonstrate their levels of emissions.

MANAGEMENT

Colin Beere

When Olympia & York turned Canary Wharf into London's third commercial centre, the toy-town railway was transformed

A fast track to efficiency

London's Docklands Light Railway is now being managed by the private sector, writes **Richard Tomkins**

Here is a novel idea for public sector railway managers. Tired of complaints about unreliable trains? Easy: take £30m of taxpayers' money, give it to an independent contractor and leave the private sector to put things right.

That, at least, seems to be the thrust of the unprecedented deal struck by London's Docklands Light Railway last week in appointing Brown & Root, the US engineering group, as its prime contractor.

Brown & Root will not take over the day-to-day running of the railway. But over the next three years it will manage the remaining stages of an £800m expansion and improvement programme. At the end of that time it must deliver a railway that works. Its £30m fee is geared directly to results.

The significance of the deal is that it is wholly uncharacteristic of the railway industry. Railwaymen fervently oppose the notion that anyone should come between them and their trains. They insist on controlling every aspect of building and running the system, with the private sector's role limited to that of sub-contractor and supplier.

But the Docklands Light Railway's managers are not railwaymen. Since November 1991, they have been a team of defence procurement experts drafted in from the Ministry of Defence. Their chairman, Sir Peter Levene, is former head of defence procurement at the MoD. He also heads the prime minister's efficiency unit.

When Sir Peter and his team arrived, the Docklands Light Railway was in such disarray that the government had seized control of it from London Transport and passed it to the London Docklands Development Corporation.

Its poor performance can be partly blamed on the fact that it was built on a shoestring budget of £77m at a time when the government's ambitions for Docklands were modest. When Olympia & York, the Canadian property developer, proposed transforming Canary Wharf into London's third commercial centre, the toy-town railway had to be improved.

When the government responded by authorising an £800m expansion and upgrading of the line, the immediate effect was to make matters worse. Already incapable of meeting the demands being made on it, the system had to cope with being rebuilt while trains were still running. Consequently, services deteriorated to the point of chaos.

But was there more to its poor performance than this? Today, the railway is running 98 per cent of scheduled train mileage compared with a low of 67 per cent before the management changeover. What caused such a drastic turnround?

Sir Peter says some simple management actions produced quick results. For example, his team discovered that the computer controlling the train operations was overloaded. That was rectified through the seemingly obvious action of trimming the train service.

Another step was getting to grips with the contractors responsible for supplying track, trains and so on.

"Some of contractors were performing extremely badly," says Sir Peter. "The DLR people said: 'We've written to them and asked them to do better, but they're just not doing that.' I said: 'Well, let's stop paying them.' They said: 'You can't do that – they'll sue.' So I said: 'Let them'."

The result? "Some sharp words were exchanged, but the performance of those contractors changed overnight."

To be fair to London Transport, it could be argued that the improvements in the railway's performance might have happened without the change in management. Conceivably, Sir Peter's team simply enjoyed the fruits of action initiated by the previous incumbents.

London Transport, however, acknowledges Sir Peter and his colleagues wrought changes. One advantage they enjoyed was the freedom to act without constant reference to headquarters. Another was their reputation for tough dealing with contractors such as GEC while at the defence ministry. Indeed, that was one of the main reasons for bringing them in.

It was a logical extension of this last point that led to the decision to appoint a prime contractor. The team is now applying the techniques of defence contracting to railway projects, says Sir Peter. If the defence ministry wants to order a new fighter aircraft, it does not deal with dozens of contractors making all the sub-systems. It defines the performance it wants, signs a contract for delivery with a single company such as British Aerospace and leaves it to the prime contractor to deliver the aircraft it wants.

As in the defence industry, so in transport. Sir Peter's team will no longer deal with dozen contractors involved in the extension of the railway to Beckton, the installation of a new control system and the supply of new trains. That – and the integration of these parts into a smoothly-running whole – will be Brown & Root's job.

Is this the way of the future for other railway projects? Possibly. One worrying factor, however, must be cost. Theoretically, a private-sector contractor motivated by a performance-related fee will do a better job at project management than a flabby public-sector body. But the Docklands Light Railway only brings in £3m a year in ticket sales. Seen in that light, £30m seems an awful lot to pay.

The cynical view might be that the government is prepared to nod the deal through, hoping it will better prepare the railway for its planned privatisation. So it might; but that, says Sir Peter, is not the point.

"The question is whether it represents good value for money. Everyone's been satisfied that's the case, and now we are going ahead. I think we would be criticised for spoiling the ship for a ha'p'orth of tar if, having spent £800m on the railway, we had not spent another £30m in getting it to work."

One step ahead of the pack

Christopher Lorenz on how T&N handles R&D spending

A country mansion in Warwickshire might seem an unlikely setting for some timely good news about British manufacturing. But Cawston House, the base of T&N Technology, is a world away from the sort of isolated rural establishment once so beloved of UK corporate research and development departments. This utilitarian, market-driven unit has been central to T&N's successful drive for a growing share of the global motor component business.

Technological innovation is especially vital to T&N's competitiveness because the company specialises in components which are critical to a vehicle manufacturer's ability to make changes in the design of its engines and braking systems. "Our customers insist on suppliers having a particular level of R&D activity and technical reputation, before they even allow them to bid for contracts," says Bill Everitt, the T&N board director responsible for technology.

But it is not so much the level of this spend – examined on this page last Friday – as its effectiveness that has helped T&N buck the miserable competitive trend suffered by manufacturers in so many British industries.

But why does T&N do a sizeable part of its R&D centrally, rather than making each of its three divisions, or the 11 product groups beneath them, responsible for all their own R&D? Everitt replies unequivocally: "Because it's more efficient and productive to do it that way in terms of people, knowledge, skills, equipment and – most important – speed."

Unlike many other companies which claim spurious internal synergy, T&N's product groups really do share technology. They need similar or identical expertise in materials, design processes, manufacturing techniques and measurement processes – all of which are moving fast but expensively, thanks to the quest for lighter, cheaper and reliable products.

In materials surface technology, for instance, "virtually all our products move against something else – they mate with it", says Alec Parker, managing director of T&N Technology. "So we can read our advancing knowledge about materials, lubrication and so forth across the various businesses."

Together with the 15 per cent of Cawston's current £7m annual spend which goes on research, this work on what T&N calls "enabling technologies" generates about 60 patents a year. The rest of T&N's £34m R&D spend goes on applications engineering, testing and other activities in the businesses.

Alec Parker: £7m research spend

The close commercial relevance of Cawston's work is guaranteed by a series of mechanisms. First, virtually all the work is funded on an individual project basis by the product groups around Britain and the rest of the world, rather than by T&N's head office.

Second is the method of project selection. Each project is determined in detail at an annual meeting by a mixture of specific input from a product group's sales engineers and managing director and Cawston's knowledge of market trends, gained via its direct meetings with leading T&N customers.

The third mechanism is detailed project control. The basic document for this is a one-page "why sheet" on which the first item gives the commercial "why?" of the project. Technical objectives and quantified target benefits are also summarised, together with costs, responsibilities and a timescale for checking the project's progress throughout the year.

Contact between Cawston and the product groups is more or less constant. Small teams from each group are always visiting Cawston, which is also used as a training ground for engineers to move into the businesses.

Although some of the projects are scheduled to last two to three years, they are not just reviewed in detail each quarter, but re-justified every year. Parker touches on every general manager's nightmare about R&D when he says: "We dislike projects which go on forever with no conclusion." Everitt puts it more forcefully: "Alec's people have to do their work within the timescale and cost that they said they would."

This control process was in operation six years ago in some of the group's businesses, "but not all of them believed in the quarterly business reviews", says Everitt. "It's been a question of persuading everyone to do it."

On the productivity of development work, T&N's main measure is "the rate per unit cost at which new products, processes and services are generated that enhance the prospects of the company relative to the competition". These loose bones are given somewhat firmer flesh every year by a detailed analysis of the rate and cost of innovation, broken into different types of project.

Cost-benefit analyses of Cawston's work are done frequently, and generally show a return of about twice the expenditure on it. Controversially, however, full investment analysis on individual projects is done rarely.

Everitt says there is little point in doing so, since discounted cash-flow analyses are so prone to error, depending on the subjective assumptions that are fed into it. Of payback calculations, he says, "we don't believe the numbers".

Instead T&N takes what he calls "a judgmental view" of the likely benefit to the customer. This reflects acute awareness throughout T&N of a principle which many UK manufacturers used to ignore, at the expense of much necessary investment: that a heavy "opportunity cost" can be incurred by not going ahead with a particular project. In addition to losing a particular sale and valuable market share, the company may harm its hard-won innovative reputation with an important customer, says Everitt.

"A lot of all this is to do with creating technical reputation and the ability to collapse lead time," he continues. "It's the opportunity cost of staying in business."

A final article will examine the impact of R&D on one of T&N's operating companies.

Television/Christopher Dunkley

Whose violence is it anyway?

We are riding the crest of one of those waves of national hysteria which periodically affect the nation when, with gleeful prodding from parts of the old print medium (slowly but inexorably giving way before the competitive edge of the new electronic mass media which work faster and wider, though without the depth of print) people turn angrily on television – the thing on which the British population now spends more of its time than anything except working and sleeping – and blame it for the violence which has characterised mankind since the dawn of history. Unfair? Television is only to blame for an intensification of violence or a statistical increase? We shall come to that.

Consider first a small but telling example from Sunday's *Independent*. The lead letter was headed "To see the influence of TV violence, visit a playground" and it began: "As a teacher I come across many children from happy homes who have television in their bedrooms and watch until closedown. These children watch an unadulterated diet of violence, sex, rape and torture, and the next morning act it out in the playground". Leaving aside the fact that there is no such thing as closedown since ITV transmissions continue round the clock, this teacher is either a non viewer, a liar, or so consumed by the national hysteria that he (or she, let's say he) honestly believes that British television transmits violence, sex, rape and torture *unadulterated*. Consider last night's schedules.

BBC1 offered *Neighbours*, *The News*, the travel programme *Holiday*, *EastEnders*, Carla Lane's new "comedy" series *Luv*, *A Question Of Sport*, *The News*, and *Budget Broadcast* which took us up to 9.40 when a repeat of *Smith And Jones*, began. That comedy may have contained some Tom And Jerry style violence, it often does, and there may have been more in *Harry Enfield's Television Programme* which followed. The most likely candidate for a true taste of the teacher's "unadulterated diet" was the American television drama *Glitz* which began at 10.40, since it claimed to be about a "hard nosed Miami policeman" confronting a "seedy underworld".

BBC2, ITV and Channel 4 offered similar mixtures with comedy, wildlife, foreign reports, news and the arts all in evidence and few slots where violence even might crop up, so is that letter not truly an example of hysteria? What other explanations are there? Teachers being what they are these days, perhaps this one simply does not know what "unadulterated" means, or maybe he is thinking about the material available on satellite and cable services, though the overwhelming bulk of their material, at least on the non-pay channels, is similar to that on the terrestrial channels. If older.

Of course it is possible in 1993, if you are determined to do so, to find yourself the sort of diet that the teacher describes. If you are willing to go to the cinema, hire videos, or cough up for pay-TV movie channels via satellite or cable (the penetration in Britain is still slight and the number of children with pay-TV in their bedrooms must be minuscule) then you can, indeed, find plenty of the material discussed by our film critic, Nigel Andrews, in last Saturday's *Weekend FT*. But anyone who dedicates his life to monitoring the output of British television knows that there is less violence on the small screen today than there was 15 or 20 years ago. Were you to make today many of the episodes of *The Sweeney*, *Starsky And Hutch*, *Target* or *The Professionals* that were made in the mid 1970s, they would not be accepted for screening.

So far as I can make out (and I would no more choose to watch *Silence Of The Lambs* than stick my head down the lavatory) Hollywood and the video industry are turning out more and more material in which violence is the chief ingredient, and present for its own sake rather than a means to an end as in Westerns or war movies. The trouble is that, thanks to the national hysteria, television is being blamed for the nastiness of the film and video industries.

Television is a part of the world in which we live. In news and current affairs programmes it shows us more violence in a year than most Britons in previous generations saw in a lifetime. Nor are the pictures limited to factual programmes. The last episode in BBC1's recent run of its mass-appeal Saturday evening drama *Casualty* became famous for showing a band of young thugs invading the hospital's casualty department and finally burning it down. As with most *Casualty* episodes this was well acted and vividly staged, though the activities of the violent youths did seem worryingly motiveless. Perhaps that was the point. On Sunday Channel 4 showed the 1990 movie *The Krays* which included several scenes of explicit violence involving fists and even swords, shot in pretty revolting closeup.

So which way round is the "copycat" effect working? We know that the Kray twins and their nasty exploits are a ghastly reality. Perhaps their behaviour in real life resulted from reading too many American horror comics, one of the favourite culprits before television ... but then how did Cain come to kill Abel, too many violent papyri? We know that Britain has suffered some appalling inner city riots in recent years, as in every century of recorded history. These dramas are telling us about some of the facts of life around us.

But are they also "de-sensitising" viewers and inducing them to copy such violent exploits? We know that the effect upon some is precisely the opposite: the more violence they watch, the more hostile to it they become. We know this because they are forever telling us so. In their roles as public guardians people such as Lord Rees-Mogg and Mary Whitehouse watch even more violent television than most of us, yet the more they watch the more they loathe it. It seems that any causal connection is not straightforward.

This should be pointed out each time they trot out the old "television sells butter so it must sell violence" routine. Doubtless they themselves eat butter yet are not violent, so what kind of "proof" is this? Television commercials sell things that people are known to want by using jokes, jingles, pictures and endorsements which the advertisers know the viewers are predisposed to approve. So far as violence goes, television can clearly demonstrate technique, whether in rocking and turning a car to form a barricade or smashing a beer glass to use as a weapon. But can it make you want to do these things? It never has that effect upon Lord Rees-Mogg, Mary Whitehouse or me – what about you?

Perhaps it is just a small minority of suggestible youths with no war to fight who are turned on to violence by television? But Geoffrey Pearson's book *Hooligan* shows with extensive documentation that fears about the growing lawlessness of young men, and the absurd leniency of the laws, have been expressed by every generation back through the Victorians, who were worried by the new phenomenon of "hooligans", to ancient Rome and Greece where gangs of "Greens" and "Blues" at opposite ends of the chariot racing stadiums would cause mayhem.

Surely in the end we must rely upon common sense. In a country where mothers in the street habitually smack their toddlers to induce obedience, where children in fee-paying schools are beaten with sticks to make them do what they are told, a country which has for centuries sent out its young men with guns and bayonets to settle matters of international disagreement, does it really seem likely that 50-year-old television is largely to blame if some teenagers conclude that violence is the way to get what you want?

Opera in New York/Paul Griffiths

The Met's new 'Ariadne'

The one success among the Met's new productions this season is almost naughtily sure. *Ariadne auf Naxos* is wholly about giving the audience what it wants: the unseen proprietor – the Viennese grandee for whom the stage entertainment is supposedly being prepared and enacted – is in reality each spectator in his or her seat. We ask to be amused, touched, stirred, charmed, lulled, and Strauss does it all. So it is perfectly appropriate that this New York version should be directed unashamedly at the musical and dramatic pleasure centres.

Ion Marin sustains the sweet nostalgia of the orchestral part, and balances it well to achieve a combination of richness and delicacy; there is the right sense that what we are hearing is something precious and slightly too small, a marvellous chamber arrangement of a symphonic score. The opening-night cast, American except for Ragnar Ulfung as the Major Domo, could hardly have been more suitable.

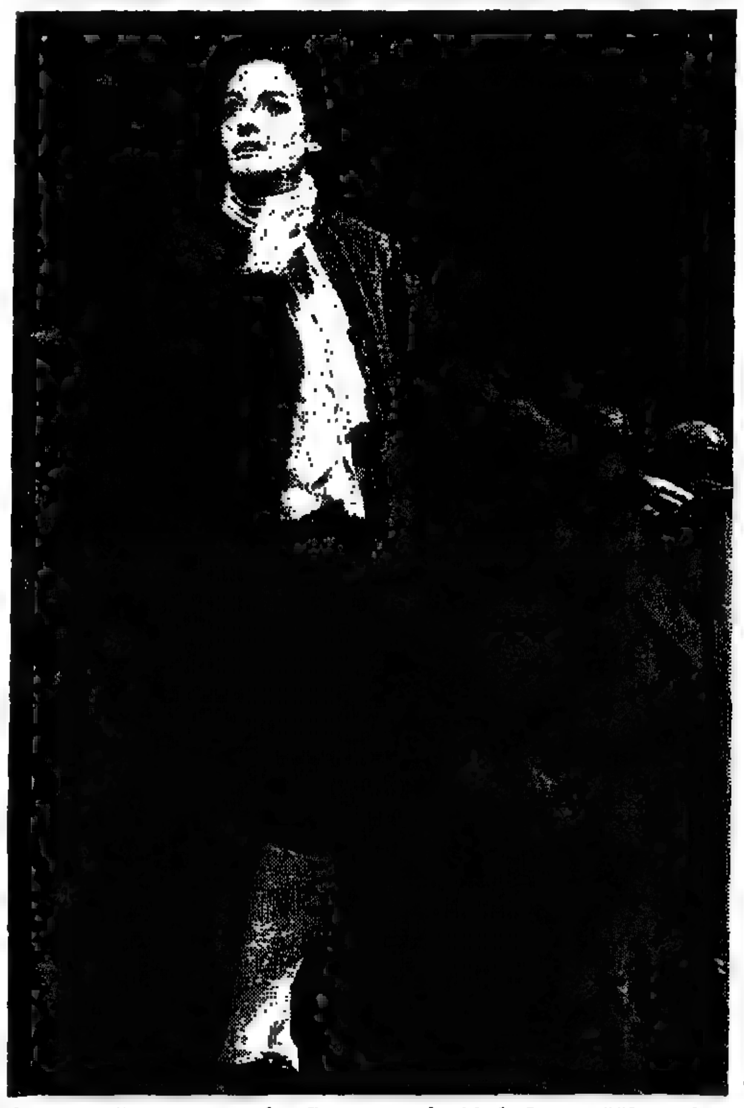
Jessye Norman had only to play herself as operatic grande dame: swift, with what was for her an unusual incisiveness, in the prologue; statuesque and magnificent, rolling out the long phrases without any pretence of real suffering, as Ariadne. Ruth Ann Swenson had all the brilliance and agility needed to complement her as Zerbinetta, but also the strength and fullness to come somewhere near matching her. As Bacchus, it was a nice touch that we should have a surprise, since Thomas Moser has hitherto made his career largely in Europe and as a Mozart tenor: he proved to have all the stature and stamina needed for this part, while maintaining a brightness and care for tone and phrasing. Thomas Stewart, too, was neatly chosen to elicit affection as the Music Master.

Susanne Mentzer was the Composer, and I suppose in an ideal world her voice would be a notch bigger and descend with confidence a semitone or two further. But one asks too much: this was a glorious performance, and strikingly different from the Octavian she had been presenting in this theatre until less than a week before. In *Rosenkavalier* there was always a smile and a bounce in her singing; in *Ariadne* she showed a different kind of youthfulness – ardour, directed energy, clear focus – and the difference was there as much in her voice as in her stage personality. She caught the steel of ambition that would make an apprentice artist capitulate to occasion.

But it was the production, by Elijah Moshinsky in designs by Michael Yeargan, that seemed most conspicuously to want to please the audience, with an aptness that would have seemed distastefully cynical in the performance of a work by any other composer. The first act takes place in a huge architectural cross-section to out-Zeffirelli the Met's *Tosca*: one sees part of a grand stairway, the back stage of the private theatre, and the below-stairs arrangements of the artists. There is plenty of bustle with supernumaries. People are having trouble hoisting up a backdrop for the performance in the theatre; the Major Domo has a swim of servants after him; the pantomime troupe is expanded to include a rubber-limbed, juggling Pierrot and several children as miniature Harlequins and Zerbinettas. It is the sight of a boy Harlequin that, in a pretty moment, first hints to the Composer that something is amiss.

No subterfuge is used to suggest that the second part of the piece takes place in the theatre we have seen being readied in the first. Instead of a cloth backdrop, we are treated to sliding panels, by means of which a night sky, with the constellations figured as on an old star map, can part to reveal a cloudscape or, for the finale, a screamingly vulgar sunset. The nymphs glide onto the set and off again atop high built-up costumes: they look like candles; and turn the production's irony towards campness. Ariadne is swathed in black-purple to leave the full accent on her facial profile. But why Bacchus should arrive looking like the Flying Dutchman is less easy to explain, unless as a demonstration that by now in this opera nothing matters except the projection of meaningless golden sound.

'Ariadne auf Naxos' will be broadcast live from The Met on Radio 3, Saturday 6.30 pm



Susanne Mentzer as the Composer in 'Ariadne auf Naxos'

Theatre/Alastair Macaulay

Unidentified Human Remains and the True Nature of Love

Love in the time of – no, not cholera, but AIDS, sex-killings, bulimia and answering machines. That is this play's theme, and the first thing to say is that, remarkably enough, it gives its audience a good time.

It has the suspense of a thriller, some impressive interweaving of different dramaturgical devices, a ready store of ironic humour, and constant seriousness about love between friends. It is also, at the Hampstead Theatre, well performed in this, the Traverse Theatre production that was so successful in Edinburgh last year. I hardly care to add that, nonetheless, the play itself is not particularly good – and I will put off saying why.

Unidentified Human Remains and the True Nature of Love, a 1990 play, is by 34-year-old Canadian playwright Brad Fraser. Set in Edmonton, Alberta, it pivots around two room-mates, David, an actor-cum-waiter, and Candy, a book critic. Though they once had an affair, he is gay and is cynical enough not to be looking for love. She, by contrast, thinks she is looking for it, whether from a handsome bartender or a devoted lesbian admirer. David's world includes hookers, drugs and rough sex. Meanwhile, out there in Edmonton, a rapist is killing women. It is easy for David to hear of these murders, but he prefers not to.

We start to assume that the ripper is among the dramatis personae: which lends a definite whodunnit tension to proceedings. But what makes the play yet more absorbing is that it shows how dangerously touched by misogyny other male characters are too. You see it brewing up, for example, in Candy's bartender lover after she firsts rejects him; and later he hits her. Yet, though this makes her reject him again, she soon finds *herself* hitting her lesbian admirer. Fraser's play abounds in this kind of irony. Repeatedly, it shows the overlaps between normal and abnormal behaviour.

David's pal Kane asks what he did last night. Drily, David replies, "Got drunk, fucked some guy in a park, dressed up as a cowboy, and watched some guy beat up Benita." Of course you laugh at this ludicrous account – the more because you know it to be true. And the irony is compounded by the ways we witnessed it – sometimes hearing him narrate it in the present tense.

Elsewhere other characters, suddenly spotlit, voice *his* thoughts, as if becoming the complex echoes of his mind. Everything adds up to illustrate David's own dreadful escapism, dreadful not least because he refuses to admit that the one friend to whom he is most loyal, Bernie, may well be the ripper.

Though the opening is too fancy, the play soon proceeds to hold its audience in a light, firm grasp. Ian Brown's staging perfectly realises the way in which Fraser shows us several "scenes" at once, the way he interleaves first-person soliloquy, third-person narration and straight you-and-me scene-playing. Not all the Canadian accents are flawless – rare is the Brit who can say "How now brown cow" like a true Canadian – but this never becomes a serious problem. All the performances, notably Dougray Scott's as David, are assured and convincing.

So why do I say this is not a good play? Because the humour, though really funny, is sometimes too cute, too TV-comedy pat. Because the characters seem all to be "types" from textbooks. Because whatever ought to make them individual, such as the fact that Candy is a book critic, is never fleshed out. Because Edmonton itself is never fleshed out. Because, as is obvious, such characters as Jerri (the lesbian) and Robert (the bartender) are merely plot devices. Because, for that matter, so is everyone else. It is to everyone's credit that these flaws never distract you as you watch.

At the Hampstead Theatre, for a limited run

Two mezzo recitals/Richard Fairman

Sarah Walker and Sara Fulgoni

The post-war British singers who proved themselves the equals in recital of any in Europe are gradually handing over to the younger generation. What they achieved looks secure. Students today are often prepared to sing in most of the main European languages and to go and do so throughout Europe, too.

Over the weekend two British mezzos at different points in their careers showed what they can do at the Wigmore Hall. For Sarah Walker the occasion marked 25 years on the London concert platform. She gave two recitals, of which I saw the first on Thursday – a happy evening, if not as frivolous as the programme may have suggested. Its cover showed a cartoon with the singer as a fairy and her expert accompanist, Roger Vignoles, as a pixie sitting on a toadstool.

Not to be outdone by any younger rivals, she sang in Italian, German, French, English and Czech during the course of the evening. Her German, in particular, was scrupulously clear. A substantial group of Schumann songs, which comprised the Mary Stuart Lieder and a few favourites including a sensitive "Der Nussbaum", was immaculately prepared, but it is difficult to say that they went to the heart.

On either side were a vivid account of Haydn's "Arianna a Naxos" and some rather camp Poulenc. But the best was Britten's *A Charm of Lullabies*, for nobody could catch better their sentiment or the malevolent gleam in the nanny's eye for the penultimate song. Wholehearted singing in Dvořák's Gypsy Songs followed. Then came bouquets, a birthday cake topped by an iced prima donna and the encores, including one about fairies at the bottom of the garden. From the programme cover we should have guessed.

On Monday the Wigmore Hall played host to a mezzo at the outset of her career. Sara Fulgoni has already attracted attention in operatic productions at the Royal Northern College of Music and here she was appearing as winner of the 1991 Edward Boyle Music Award. For one so young the voice is remarkable. Like the royal velvet red dress that the tall Miss Fulgoni wore so elegantly, it has a fullness, a richly luminous texture.

The sheer amount of tone, generously produced, was more than Gordon Crosse's *Voice from the Tomb* called for; the loneliness, the frightening inner silence of Stevie Smith's poetry was largely left unprobed. It was a clever idea, though, to move from these poems about birds and frogs to Poulenc's *Le Bestiaire* and Chabrier's rosy pigs and big fat turkeys, all done in decent French with some aplomb.

Most promising was Wagner's *Wesendonck Lieder*, as the voice seems generally happiest singing out in grand style. At first the phrasing was on the short side; but from the third song it started to stretch out with a truly Wagnerian span. Steven Maughan, the singer's otherwise effective accompanist, might have done still more there to keep up with his singer's vocal opulence. That, in itself, says much for Miss Fulgoni's exceptional prowess.

INTERNATIONAL ARTS GUIDE

BONN

Oper Tonight, Sat, next Tues and Fri: Der Freischütz. Sun: first night of new production of Puccini's Trittico. Mon: Lucia Popp song recital (773667)

COLOGNE

Philharmonie Tonight: Petr Altrichter conducts Prague Symphony Orchestra in works by Dvorak, Beethoven and Smetana, with piano soloist Grigory Sokolov. Tomorrow: Orion Quartet plays Haydn, Bartok and Schumann. Fri: Rhine Chamber Orchestra. Sat: Ingrid Haebler piano recital. Sun morning: Matthew Passion. Sun evening: Mendelssohn's Elijah. Mon: Shlomo Mintz directs Israel Chamber Orchestra. Tues: Wolfram Christ and Philharmonic Strings (2801)
Opernhaus Tonight: Gwyneth Jones song recital. Fri and Tues: Zar und Zimmermann. Sat: Lohengrin with Gary Lakes, Eva Johansson and Sergei Leiferkus. Sun and next Wed: TanzForum triple bill. March 25: first night of Liviu Ciulei's new production of Cosi fan tutte (221 8400)

COPENHAGEN

Royal Theatre Tonight, tomorrow, Fri: Bournonville's ballet A Folk Tale. Sat and next Wed: Drot og Marsk, Danish opera composed by Peter Heise in 1878, with cast led by Poul Elming and Tina Kiberg. Mon: Le nozze di Figaro. Tues: Balanchine triple bill (3314 1002)
Tivoli Mon: Herbert Blomstedt conducts San Francisco Symphony Orchestra in works by Dukas, Sibelius, Harbison and Stravinsky (3315 1001)

DRESDEN

Semperoper Tonight, next Tues: Der Freischütz. Tomorrow, Sat: Der fliegende Holländer. Fri: ballet triple bill. Sun: Der Rosenkavalier (484 2731)

DUSSELDORF

DANCE/OPERA
Kurt Horres' new production of Aribert Reimann's Kafka opera Das Schloss opens at **Deutsche Oper am Rhein** on Sat (repeated March 24, 26, April 7, 21). The repertory also includes a ballet mixed bill tonight and tomorrow, La boheme on Fri, Merry Widow on Sun and La fille mal gardée next Tues (211-8908 211). The **Duisburg Theatre** has a concert performance of Lakmé tonight, La traviata tomorrow, Giselle on Fri, Der fliegende Holländer on Sat and Die lustigen Weiber von Windsor on Sun (203-3009 100)
THEATRE
Schauspiel Bochum gives a guest performance at the **Schauspielhaus** tonight of Brecht's Good Person of Sezchuan, directed by Franz-Patrick Steckel. Sat and Sun: Zelt-Ensemble Theater presents My Mother's Courage, George Tabori's tale of Jewish deportation from Budapest. The repertory also includes Ariel Dorfman's Death and the Maiden, Maxim Gorki's Vassa Shelesnova, Shakespeare's A Midsummer Night's Dream and Die schöne Fremde, Klaus Pohl's topical play about German xenophobia (211-162200/ 211-369911)

FRANKFURT

Alte Oper Tonight: I Musici di Roma play works by Vivaldi, Bach and Mozart. Tomorrow: Paco de Lucia, guitar. Fri: Shirley Bassey. Sun: Lothar Zagrosek conducts Junge Deutsche Philharmonie in Ravel, Messiaen, Maderna and Berlioz. Next Wed: Krystian Zimerman piano recital. Next Thurs: Kurt Masur conducts New York Philharmonic (1340 400)
Jahrhunderthalle Hoechst Sat: Gerhard Mantel conducts Frankfurt Public Orchestra in works by Schumann and Schubert, with piano soloist Lars Vogt. Next Tues and Wed: Hamburg Ballet in Neumeier's Midsummer Night's Dream (3801 240)
Opernhaus Sat: John Adams conducts revival of his opera Nixon in China, staged by Peter Sellars. Further performances on March 24, 26, 28 (236061). March 30-April 3 at **Bockenheimer Depot**: Impressions de Pelléas, Peter Brook's Debussy adaptation (2123 7444)
Schauspielhaus Tomorrow, Fri, Sun, Mon: Limb's Theorem, ballet by William Forsythe. Sat: new production of Shakespeare's Othello, directed by Peter Eschberg (2123 7444)
English Theater Kaiserstrasse Ariel Dorfman's moral thriller Death and the Maiden, daily except Mon (2423 1620)

HAMBURG

Staatsoper Tonight: Il barbiere di Siviglia. Tomorrow: La boheme. Fri: Madama Butterfly. Sat and next Tues: Gerd Albrecht conducts Günter Krämer's new production of Siegfried, with Heinz Kruse and Gabriele Schnaut. Sun and next Thurs: Otello with Vladimir Atlantov, Bernd Weikl and Katia Ricciarelli (351721)
St Michaelis-Kirche Tomorrow and Fri: John Neumeier's Matthew Passion ballet (351721)

Musikhalle Fri: Herbert Blomstedt conducts San Francisco Symphony Orchestra in works by Sibelius, Harbison, Debussy and Stravinsky. Sat: Hamburg Concert Chorus. Sun: Hamburg Symphony Orchestra. Mon: London Brass. Tues: I Musici di Roma play Bach and Vivaldi (354414)
Deutsches Schauspielhaus Tonight: Feydeau's A Flea in Her Ear, new production directed by Peter Löscher. Tomorrow: Thomas Bernhard's Die Macht der Gewohnheit. Fri: King's Blood, Augusto Fernandes' adaptation of Ibsen's The Pretenders. Sat and Sun: Tom Cole's play It's Time. Next Tues, Wed, Thurs: Commedia, new dance work by Carolyn Carlson (248713)
Thalia Theater Tonight: John Osborne's The Entertainer. Tomorrow: first night of new production of Peter Turrini's play Alpenglühen. Sat: Klaus Pohl's Die schöne Fremde. Next Tues and Wed: King Lear (322666)

MUNICH

Prinzregententheater Tonight: Kyung-Wha Chung, accompanied by Stephen Kovacevich, plays violin sonatas by Brahms and Beethoven (591400). Sun, Mon, Tues: Giuseppe Sinopoli conducts Bavarian State Orchestra in works by Wagner, Mahler and Schoenberg, with Agnes Baltsa (221316)
Gasteig Tonight: Nana Mouskouri. Fri: Veterinary Street Jazz Band and other 1920s groups. Sat, Mon, Tues, Wed: Mario Venzago conducts Munich Philharmonic in works by Henze. Sun morning: Rafael Frühbeck de Burgos conducts Vienna Symphony Orchestra. Sun afternoon: Matthew Passion. Next Thurs: Zubin Mehta conducts Israel Philharmonic (4809 8614)
Cuvilliés-Theater Mon: Hans-Martin Schneidt conducts revival of August Everding's production of Mozart's Mitridate, with a cast led by Alejandro Ramirez and Inga Nielsen, repeated next Wed, Fri and Sun (221316)

STOCKHOLM

OPERA/DANCE
The main event this week at the Royal Opera is a new production of Pelléas et Mélisande, first night on Sat. Sixten Ehrling conducts a staging by Ann-Margret Pettersson. Les Contes d'Hoffmann can be seen tonight and Fri, and Ingvar Lidholm's Strindberg opera A Dream Play is revived next Tues (248240). Cullberg Ballet presents a Mats Ek double bill tonight at **House of Dance**, plus a triple bill March 24-27 (796 4910)
CONCERTS
Gidon Kremer gives a violin recital tonight at **Konserthuset**. Tomorrow and Sat: James DePriest conducts Stockholm Philharmonic Orchestra in works by Adams, Bartok, Barber, Larsson and others. Sun: opening concert of week-long Stockholm New Music Festival, with focus on music by Lindberg, Xenakis, Gubaidulina and Eliasson (244130). Valery Gergiev conducts Swedish Radio Symphony Orchestra in works by Haydn and Mahler on Fri evening and Sat afternoon at **Berwaldhallen**. Mon: Britten Quartet (784 1800)

European Cable and Satellite Business TV
(All times are Central European Time)

MONDAY TO THURSDAY
Super Channel: European Business Today 0730; 2230

MONDAY
Super Channel: West of Moscow 1230.
Super Channel: Financial Times Reports 0630

WEDNESDAY
Super Channel: Financial Times Reports 2130

THURSDAY
Sky News: Financial Times Reports 2030; 0130

FRIDAY
Super Channel: European Business Today 0730; 2230
Sky News: Financial Times Reports 0530

SATURDAY
Super Channel: Financial Times Reports 0930
Sky News: West of Moscow 1130; 2230

SUNDAY
Super Channel: West of Moscow 1830
Super Channel: Financial Times Reports 1900
Sky News: West of Moscow 0230; 0530
Sky News: Financial Times Reports 1330; 2030

Edward Mortimer

Divide and rule

Businessmen lean towards Beijing, but the people favour Patten

I've heard of people's capitalism, but this is ridiculous. On February 25 the Hong Kong government postponed publication of Chris Patten's political reform bill, for the third time. Next day, the Hang Seng index shot up by 148.11 points. The delay in gazetting it, according to a commentator in the pro-Beijing newspaper Wen Wei Po, "caused great excitement among investors. This showed that Hong Kong people wish to see Mr Patten's reform package abandoned…"

It is a strange, looking-glass world. One of the two reforms that Beijing most strenuously objects to is the proposal to widen the franchise of the "functional constituencies", which are to elect half the members of Hong Kong's next Legislative Council (LegCo). Until now, many of these have been capitalist rotten boroughs. In the business and industrial constituencies, for instance, votes are cast not by individuals but by companies. Mr Patten proposes to give the vote to individual company directors. And in nine new constituencies, corresponding to broad sectors of economic activity, he proposes that every worker should have a vote.

You might think this would appeal to communists: a measure to take some power away from bosses, and give it to workers. But communist China is no longer like that. It has reached the last chapter of Orwell's Animal Farm, in which the animals looked from man to pig, and pig to man, and could no longer see the difference. China's official slogans talk of the "socialist market economy", but there is little trace of socialism in the frantic capitalist development that is now going on in China, unless it is the fact that the local capitalist employer often combines the functions of mayor and party secretary. All that is left of communism is the authoritarian political structure.

Not surprisingly, then, it is Hong Kong's business community that is vociferously ranged against Mr Patten, while opinion polls suggest that the majority of the colony's population is still behind him. The business community is acutely aware of the extent to which the colony's economy is now bound up with that of the mainland. It is Hong Kong's unique position as the privileged channel, both for Chinese exports and for foreign investment in China, that is at the root of its extraordinary prosperity. Chinese sovereignty holds few terrors for people who move millions of dollars in and out of China every day. What does terrify them is the thought that Mr Patten, by his quixotic last-minute effort to introduce democracy – in a territory that has hitherto done very nicely without it, thank you – may provoke Beijing into measures that will interfere with business.

The fear is that China will be provoked into interfering with business

Yet "democracy" is a very grand word for what Mr Patten is trying to do, and it is not one he himself uses. Even if his proposals were to be enacted without amendment, only 20 out of 60 LegCo members in 1995 would be elected in a normal, democratic way – that is, by universal suffrage in residential constituencies. Twenty-one would be chosen by the old functional rotten boroughs, made slightly less rotten by a gentle broadening of the franchise. Nine would come from the new functional constituencies with mass electorates of working people, who thereby gain representation through their profession (an idea once associated with Italian fascism); and the remaining 10 would be elected indirectly, by an "election committee" itself composed of elected officials, drawn mainly from the local district boards to be elected next year.

China's rulers themselves are committed to introduce full democracy by stages after their takeover in 1997. But obviously, once in charge, they reckon to be able to control the process and keep out those leaders or parties they find obnoxious. What worries them about even partial democratisation under British rule is the fear that in 1997 they will find themselves confronted with a LegCo dominated by their opponents. They have not recovered from the shock of June 1989, when a million people in Hong Kong demonstrated in support of the students in Tiananmen square, and a good deal of Hong Kong money found its way to dissident organisations on the mainland. Worse still, the same people who organized the demonstrations went on to win 14 out of the 18 directly elected seats in LegCo in 1991.

That is still only 14 out of 60 members altogether. At present, they are still easily outnumbered by the combined strength of the governor's appointees and the representatives of conservative business interests. Beijing's fear is that a broader franchise in 1995 might give them the majority. It is probably groundless. Mr Martin Lee, leader of the main liberal group, the United Democrats, believes his near-landslide victory in 1991 reflected partly an expression of revulsion against the Tiananmen massacre, then still fresh in everyone's memory, and partly his opponents' lack of organisation. Neither factor is likely to be repeated in 1995.

In any case, Mr Patten does not expect to get his package through unamended. Either it will be modified in talks with Beijing – in which case he will have the embarrassing task of forcing it through LegCo with business support, against the protests of the liberals – or the conservative majority in LegCo will themselves amend it in a way calculated to appease Beijing. But he is determined to preserve a legislature with a degree of independence, which he sees as the best safeguard for Hong Kong's freedom after 1997. And he still hopes to persuade Beijing that it has to accept Mr Lee and his friends as part of the reality of Hong Kong – unpalatable, perhaps, but not unamenable, unless Beijing itself insists on making martyrs of them.

Stepping in where others fear to tread

Richard Lapper examines the rationale behind Zurich Insurance's latest deal in the UK market

Senior British insurance managers are prone to scratch their heads when asked about the logic behind the latest deal in the UK by Zurich Insurance of Switzerland, completed last week after months of negotiations.

Zurich, Europe's fourth-biggest insurance company, has taken over much of the business of Municipal Mutual, the insurer owned by local authorities which withdrew from the market last year. It had been hit by claims arising from cases of arson in schools and accidents involving council employees injured at work. Zurich is setting up a subsidiary, Zurich Municipal, to handle the accounts of more than half Britain's councils.

On the surface, there might not seem much to commend the deal to the financially strong Swiss group. But closer examination shows the business logic behind the painstaking talks.

Neither side is prepared to disclose the price, but in return for what, in the context of some recent European deals, appears to be a relatively modest sum, Zurich has won access to about £300m a year in premium income, and perhaps as much as 3 per cent of the entire UK insurance market.

More significantly the takeover gives Zurich the chance to develop its innovative approach towards commercial insurance in the UK market. Rather than the "all products to all men" attitude favoured by traditional insurers, Zurich focuses on the development of long-term relationships with particular groups of commercial customers.

The company aims to provide a range of services to reduce risks and thereby the likelihood of insurance claims. If successful the MMI deal and could serve as a model for expansion in areas of the insurance market long regarded by British companies as their private fiefdoms.

MMI turned to Zurich after being disappointed by potential UK rescuers. Last year, the company stopped underwriting after posting losses of £240.3m in 1991. A succession of UK companies examined its books and rejected any link-up on the grounds that the risks were too high.

"We've been involved in council business over the years and we're still paying for it," said the manager of one UK company.

UK companies initially refused to offer even the most minimal emergency cover to local councils without insurance. Underwriters at the Lloyd's insurance market sold short-term cover at emergency rates. More recently, brokers have persuaded some companies to accept council risks, at much increased rates. "We've picked up a few councils but we wouldn't want too much of it. I just don't see the point in getting involved sorting out the staff and everything," says another senior insurance manager.

Zurich came to the rescue in October, after other options – such as the little-known French mutual, Garantie Mutuelle des Fonctionnaires – had evaporated. Several months of negotiations, during which Zurich carried out a searching examination of MMI's business, have paved the way for the takeover.

The arrangement is relatively simple: Zurich will take on to its staff the 1,500 employees of Municipal Mutual as well as all new insurance contracts. It has bought MMI's Bournemouth offices and taken out leases on several other properties. Through the rump of MMI, local authorities will retain control of the reserves they have set aside to meet claims arising from old policies and Zurich will simply administer old claims. Zurich will pay MMI a percentage of all new premiums it earns over the next three years.

Mr Rolf Hüppi, the 50-year-old chief executive of Zurich, has no doubts about stepping into an area where the domestic market and others fear to tread. But his enthusiasm for the deal has little to do with market share. For Mr Hüppi, the opportunity to acquire the insurance business of most UK local councils offers Zurich an "enormous opportunity" to develop his company's approach to commercial insurance business.

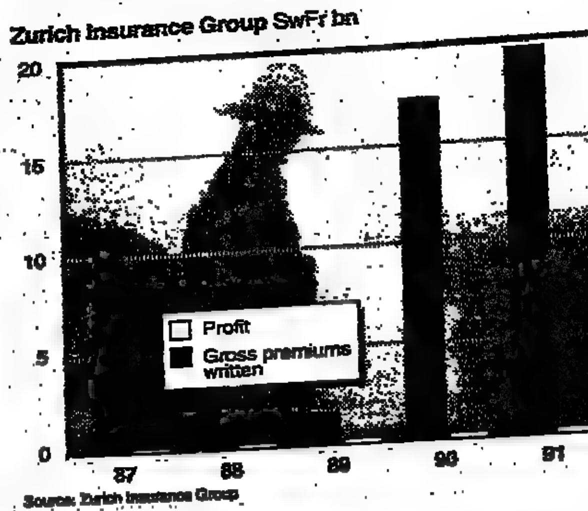
"Very rarely do you get such a focused group of customers," says Mr Hüppi, who has had two long spells in charge of Zurich's US operations and is responsible for developing much of the strategy.

Zurich: a risky business

Market Capitalisation (£m)	
Zurich	3697.3
Royal	835.1
Sun Alliance	2417.0
G.R.E	1299.0
General Accident	2325.8
Commercial Union	2395.0

Source: FT top 500

Zurich Insurance Group SwFr bn



Source: Zurich Insurance Group

As well as insurance, Zurich Municipal will develop a range of customised services for councils – from advice on how to reduce incidents such as workplace injuries and minor road accidents to improvements in the physical security of schools and other municipal buildings. Zurich will also advise councils on how they can fund many small claims through self-insurance schemes which can reduce costs.

"You have to be flexible enough to recognise that other services and products are as legitimate as insurance products," says Mr Eddie Hester, general manager Zurich International (UK), the Zurich subsidiary which originally developed this approach in the mid-1970s.

While traditional insurers sell a narrow range of insurance policies – such as property insurance, liability insurance, accident insurance – often on the basis of price to any customer, Zurich has adopted a targeted approach. "It is best to focus on needs and risks of a particular group of customers rather than trying to do everything," says Mr Hester.

Zurich's international division, which directs its marketing to multinationals, specialises in insuring chemical and pharmaceutical companies. Its London subsidiary alone employs 15 loss advisers, trained as engineers, many of whom have had first-hand experience in the chemical industry. They provide technical advice on how companies can reduce their risks.

Elsewhere, the group has developed profitable business in such unlikely niches as Californian rice farmers, Wisconsin meat packers and US motor dealers. A common feature is that Zurich aims to develop an intimate knowledge of its customers' business.

Mr Steve Smith, chief executive of Universal Underwriters, a Zurich subsidiary based in Kansas City, which sells insurance policies to 25 per cent of US motor dealers, says that nearly 50 per cent of the company's account executives have worked in motor dealerships themselves. "People live, sleep and breathe the customer," said Mr Smith. Universal has taken several measures to retain its customers. Its insurance policies are specifically tailored, providing cover for many risks – such as possible legal action from customers over faulty repair work – which might not be covered in normal policies.

Universal is providing its clients with a computerised link-up with its Kansas City head offices, which allows motor dealers to pay their premiums – adjusted monthly to reflect the changing value of stock – and make claims electronically. The development makes life easier for dealers but also makes them more likely to stay with Universal.

"It makes the cost of switching very high for the customer," says Mr Smith. Motor dealers are also tied to Universal by being invited to become agents to sell credit insurance and extended warranties to car buyers. Mr Smith says dealers can increase their income significantly in some cases.

Zurich's strategy looks likely to become more popular in the industry during the 1990s. With investment returns less reliable, insurers are likely to come under increasing pressure to make their basic underwriting operations profitable. The successful management and control of claims may be one of the best ways of doing so. As insurers draw closer to their existing customers to manage risk, they are also more likely to be able to retain them.

These developments could pose a challenge for the increasingly "risk averse" UK insurers. Stung by record losses of £2bn in 1990-91, UK companies have begun to put safety first, with the most successful company, Commercial Union, directing its expansion towards low-risk and less-volatile life assurance business, for example. If Zurich Municipal proves successful it could encourage similar forays both by Zurich and by other international groups in the UK market, further eroding the grip of UK insurers over "big ticket" business – the riskiest, but sometimes the most profitable.

LETTERS TO THE EDITOR

Number One Southwark Bridge, London SE1 9HL
Fax 071 873 5938. Letters transmitted should be clearly typed and not hand written. Please set fax for finest resolution

Older people often make better workers than the young

From Mr Marc Thompson.

Sir, I was not surprised to read of the increase in the operation of age bars in job advertisements ("Jobseekers over the hill at 45", March 15). Employers faced with a large pool of potential labour will invariably use some method to reduce the cost of recruitment. An age bar is one of the cheapest mechanisms that influences supply to the firm.

On grounds of efficiency employer behaviour may thus be seen as rational (and to be forgiven). In terms of equity, however, employers can be criticised for disallowing certain age groups equal access to the competition for jobs.

My own research shows that employers' perceptions of age-related performance are based on inaccurate stereotypes. For example, contrary to the prevailing stereotype, older people tend to have lower turnover rates, less frequent absence for sickness, higher commitment and better time-keeping than younger people. Thus, employers' belief that younger people are a "better bet" may be ill-founded and their behaviour may actually be inefficient.

My advice to the European Commission would be that if they want to "hold on to employees for several years" they may find it less costly and more efficient to employ an older person.

Marc Thompson,
research fellow,
Institute of Manpower Studies,
University of Sussex,
Brighton BN1 9RF

Hitch to contracting-out plans no red herring

From Mr John Sheldon.

Sir, David Goodhart's article on the Transfer of Undertakings Regulations ("Tupe or not Tupe…", March 15) illustrates the problems that the government's market-testing initiative has hit. It is ironic that some Tory MPs are complaining that the Acquired Rights Directive is an anti-competitive measure. One of the arguments behind its implementation was to promote *genuine* competition across the Community. It is only regarded as anti-competitive because the British government appears hell bent on creating an offshore Taiwan in Europe.

Mr Waldegrave, minister for public service, continues to be one of the very few trying to sell the idea that the Tupe regulations are a "red herring" that will have no impact on the market-testing programme.

Christopher Chope, his ex-colleague and fervent exponent of contracting-out, is more reliable when he told a recent seminar that the European Court would "drive a coach and horses through the competitive tendering legislation"; that he is "working on the assumption that all contracts will be caught by the Acquired Rights Directive"; and that he thinks "it is a political impossibility to get the 1977 directive amended". The humiliating collapse of the government's position in the South Glamorgan case ("Government admits defeat over contracting-out case", March 16) is further evidence of the *real* impact of Tupe.

This is a red herring that bites back.

John Sheldon,
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London SE1 0TU

Thurow view on US trade 'dangerous nonsense'

From Prof Willem H Buiter.

Sir, When Lester C Thurow (Personal View, March 10) makes recommendations for US macroeconomic and trade policy, he writes dangerous nonsense.

First, there is his statement that a 4 to 4.5 per cent rate of growth is an absolute necessity if President Clinton is to create growing job opportunities and rising real wages for the 80 per cent male workforce that did not participate in the economic gains of the 1970s and 1980s. We may anticipate, or at least hope for, a one or two-year period of cyclical recovery during which the growth rate of GDP is maintained at the 4.8 per cent level of the last quarter of 1992. It is a pipe-dream to believe that the US is capable of sustaining over an extended period of time an average annual rate of growth of 4 to 4.5 per cent.

Over the period 1948-90 the average annual growth rate was just above 3.2 per cent. Even the growth rates achieved in the halcyon days of the 1950s (with an average annual growth rate of 4 per cent) and the 1960s (with an average annual growth rate of 4.1 per cent) were at the lower end of Mr Thurow's range.

Furthermore, one of the consequences of the 12 wasted Reagan-Bush years has been a weakening of the supply side of the economy. While it should be possible to do somewhat better during the next 10 years than the average 2.6 per cent growth rate of the 1980s, it is dangerous to declare an obviously infeasible growth rate to be a necessary condition for real wage growth and expanding job opportunities for those who lost out during the 1980s.

Desirable feasible policies are endangered that way. Much good can be achieved at a post-recovery average annual growth rate of 3 per cent. It all depends on the composition of the growth.

Second, there is the statement that the US could expect a huge surge of imports if it were to succeed in growing much faster than the rest of the industrial world. This proposition need not be correct when the higher growth is supply-driven. (Japan managed to grow faster than the rest of the industrial world for decades without drowning in imports).

Even when the higher growth is demand-driven, the proposition holds only if the source of the demand stimulus is expansionary fiscal policy or an exogenous boost to some other component of domestic final demand, not if it is expansionary monetary policy.

Third, there is the statement that if one looks at the relationship between output and employment in American manufacturing, every $45bn in extra manufactured imports essentially costs the American economy 1m jobs. For nonsense statements like this (attributing one-way causality to a co-movement between two endogenous variables), undergraduates properly flunk their intermediate economics courses. What on earth is the counter-factual policy scenario that produces $45bn in lost imports and 1m extra jobs?

Like Mr Thurow, I would like to see a co-ordinated fiscal and monetary expansion in the industrial world (my preference would be for monetary expansion in the US, Germany and Japan, fiscal contraction in the US and Germany and fiscal expansion in Japan).

Unlike Mr Thurow, I do not favour "direct action" by President Clinton if such co-ordinated action cannot be arranged promptly. Surely "direct action", taking "whatever actions are necessary" and "decoupling the locomotive from the rest of the world's economic train" are code-words for protectionism, import controls etc.

What America and the rest of the world do not need is a trade war, motivated by screwball economic analysis and a defensive, little-America outlook. The Japanese are good enough to produce large and rising trade surpluses. Some part of the industrial world ought to be doing so, if the urgently needed net resource transfers to the developing countries, eastern Europe and the former Soviet Union are to materialise.

It is of course desirable for the Japanese to abandon their protectionist practices, in order that their trade (imports and exports) may expand, without, however, endangering the desirable Japanese external surplus.

I fervently hope no one in a position of policy responsibility is listening to Mr Thurow.

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FINANCIAL TIMES
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Wednesday March 17 1993

The choice over Russia

THE DECISIONS facing the Group of Seven countries now urgently conferring on how to assist Russia may soon become both more difficult and more inescapable. The west may have to choose between an anarchy created by totalitarians and an autocracy run by democrats. This choice has to be made in favour of those committed to reforming Russia.

Russia is caught in a war between a reforming government that bears responsibility, but is almost powerless, and a reactionary parliament that possesses power, but bears little responsibility for its use. The constitution producing this slide to anarchy is a legacy of one of the most centralised states in history. No less paradoxically, the forces exploiting democracy are nostalgic for communism, while the leader battling with parliament is the man who kept out the tanks during the August 1991 coup.

A popular referendum would, Mr Yeltsin hopes, reinforce his legitimacy as the directly elected leader of Russia and allow him to to alter the constitution and expedite economic reform. More power for the government would mean suspension of a parliament that blocks its urgent measures and subordination of the central bank and other institutions to the government's will.

The west may soon have to choose between an obstructive parliament and a government aiming to introduce the conditions for stable democracy, including a market economy. It would have to choose Mr Yeltsin. It cannot side with parliamentarians whose hard core is anti-market, anti-democratic and anti-western. Democracies must back even authoritarian rulers if the alternatives are worse.

Stable evolution

The larger question is this: if Mr Yeltsin imposes presidential rule, can it work, in the sense of producing conditions for market reform and stable democratic evolution? The answer is that he would succeed only if the government pursued reform single-mindedly, if it took the reasons for reform to the people in a much more effective way than at present and if the assistance which the west is now debating were directed at alleviating the suffering of the victims of reform.

There is no lack of voices in the centre of Russian politics which say that President Yeltsin is already beyond "saving" by western support; that the country is in such an advanced state of disintegration that no central power, presidency or congress, can lead it, and that the radical reform strategy would be violently rejected if pushed through by an authoritarian power.

Economic disintegration

These are substantial objections. Furthermore, the government is not the only group with a plan for market reform: one benign effect of the past year and a half has been that there now exists a free-market "party" in opposition, in which substantial figures like Mr Grigory Yavlinsky, the creator of the "500-day plan", play major roles. Time, however, is short, as Mr Yeltsin underscored yesterday after his talks with President François Mitterrand. Only an end to the debauching of the currency, combined with continued privatisation, offers hope of averting an economic disintegration that no democracy could hope to survive.

Russia is now disintegrating. Its regions increasingly go their own way. If the central power continues to weaken, Russia will become ungovernable. Thus the alternative to the effective exercise of power by Mr Yeltsin's government is the west's chief nightmare: a nuclear-armed Russia under xenophobic control or, worse, under no control at all.

There can be no guarantee that supporting the government will work, but the west has too much to lose not to give vocal and effective assistance, up to and including the point where the president concentrates authority in his hands. If it had helped sooner and more aggresively, things might not have reached this pass. Guarantees should be sought on early elections, a new constitution and the firm grounding of democratic rule. But in foreseeable circumstances, supporting Mr Yeltsin remains the west's only choice.

French Socialists go on trial

NEXT SUNDAY'S election in France will be widely regarded as a trial of the Socialists' record in office. On the evidence of the opinion polls, they may lose three-fifths of their seats and the combined conservative parties will sweep back into power with a massive majority. By the ordinary yard-stick of democratic success and failure, such a result would appear to be a devastating condemnation.

Up to a point, the Socialists clearly deserve to be thrown out. They have been in power too long, they have shown themselves all too ready to resort to the fleshpots of political corruption, and they have failed to rethink their traditional policies and their style in terms which would reconcile their claims to some kind of modern socialism with the practical demands of today's world.

But if one looks at their policy record, it is not evident that the Socialists have done badly by the French electorate. When they came to power in 1981, they rushed ahead with outdated left-wing nostrums, like wholesale nationalisation and early retirement. But within two years they were forced to backtrack and since then they have steadily pursued a modest, even "conservative" economic policy, based on budgetary restraint and control of inflation.

This has been a well-managed policy, which has given France above-average growth and steadily falling inflation. It will no doubt be continued by the conservatives after next Sunday's election. The acute problem, from a Socialist point of view, is that this responsible economic policy failed to prevent the rise in unemployment, which has now become inexorable under the forces of recession.

Structural problem

It is reasonably clear, therefore, that the vast swing in Sunday's vote will point to a serious structural problem, which can only partly be laid at the feet of the Socialists. The problem is that the French political system is out of kilter, largely because there is an imbalance between the large and spreading powers of the presidency and the undervalued role of the parliament.

Over the years this has generated a growing sense of alienation among the electorate, which has become evident in the growth of support for the protest parties, most notably the extreme right-wing National Front and the two ecology parties. All told, the non-government parties could get a third of the votes between them, but without winning many seats in parliament; whereas the conservatives can expect a huge majority in parliament, even if they get under 40 per cent of the vote.

Urgent priority

The disequilibrium between the conservatives' ostensible governing power, and their much more limited popular support, will be especially flagrant where the conservatives are divided on major policy issues, as they are on Europe. One of their most urgent priorities, therefore, should be to introduce some quite modest political and constitutional reforms, to restore the balance between the institutions and rebuild popular confidence in the system.

There can be no changing the defining characteristic of the constitution, which is that of a mixed presidential-parliamentary system. As a system this may seem unclear, but the central fact is that it obviously suits the French and has provided government of above-average quality for rather a long time.

President Mitterrand's recent initiative, in launching a package of constitutional reforms, has been criticised by the right. But it is bound to become one of the central issues of debate by the new governing majority in parliament, and offers a convenient opportunity for improving the system.

One option would be a shortening of the presidential term; another would be a tighter definition of the powers of the president compared with his government. But, however it is done, the essential requirement is for some slight shift of authority and legitimacy in the direction of government and parliament.

An Editorial Comment on the UK Budget appears on page 10

Crusaders in the capitalist cause

US shareholder activists are gearing up to make underperforming managements more accountable, says Martin Dickson

Mr James Wood, an Englishman who heads America's quaintly named but poorly performing Great Atlantic & Pacific Tea Company, has suddenly found himself thrust into one of the less enviable positions in US business.

The north-eastern supermarkets chain, usually known as the A&P, has become a prime target for the increasingly powerful US corporate governance movement, which is beginning to have a big impact on the running of American business.

The movement, which brings together some of the largest institutional investors in the US, tries to improve the financial performance of companies by making their managements more accountable to shareholders.

Its muscle has been demonstrated most graphically by the recent forced resignations of chief executives – IBM, American Express, Westinghouse and General Motors – at least in part because of shareholder dissatisfaction over their performance.

The movement is now in its most concentrated period of annual activism, the so-called "proxy voting season" of spring and early summer, when most American corporations hold their annual shareholders' meetings.

This season is producing some of the most concerted shareholder action yet, thanks partly to important changes by the Securities and Exchange Commission, which oversees the US securities industry, in the way "proxy contests" – shareholder voting battles at annual meetings – are waged.

The new rules, brought in last October, allow investors to band together more easily, and give them greater flexibility in the tactics they use against management.

A separate SEC change, forcing companies to reveal much more about their executive pay practices, is giving investors a new stick with which to beat the boards of poorly performing businesses.

The tussle at A&P is a product of all this change. The $56bn New York State pension fund, one of America's largest institutional investors, recently announced that it would oppose the re-election of A&P's directors at the July annual meeting because of the group's underperformance. Thanks to the SEC rule changes, it would urge other shareholders to do likewise.

The fund has no hope of victory, since A&P is 53 per cent owned by Germany's Tengelmann retailing group, which will presumably support the existing directors. But strong backing for New York from other investors might at least force A&P to look at ways of improving its performance.

According to Mr Edward Regan, New York State's chief fiscal officer and pension fund trustee, A&P's efforts to deal with its problems are "anaemic and unacceptable". Its managers, he adds, "are guys that need a kick in the pants on behalf of our beneficiaries".

Three main factors lie behind the rapid rise of the corporate governance movement, which only began its first tentative challenges to management at the end of the 1980s. The first was the growth of institutional investment in the 1970s and 1980s, and the decline of the small US shareowner, giving big stakeholders immense potential clout.

The second was the 1980s takeover boom, which encouraged the managers of weak companies to pay off corporate raiders, or erect "poison pill" defences around the business, irrespective of whether this was in shareholders' interests.

The third was the rise of indexation – where fund managers invest in a portfolio of stocks weighted according to a market index, such as the Standard and Poor's 500, rather than trying actively to pick winners or sell poorly performing stocks.

"Indexed equity portfolios invariably contain real dogs," says Ms Carol O'Cleireacain, New York City's finance commissioner. "But one way to improve our performance is to train these old dogs to do new tricks." In other words, exert pressure on management to run the company better.

The battleground
Main corporate governance issues at annual meetings* include:

Company	Issue
Advanced Micro Devices	Independent nominating committee, separate chairman & ceo
Champion Int'l	Separate chairman & ceo
Eastman Kodak	Shareholder advisory committee
A&P	Poor financial performance
General Dynamics	Majority independent directors
McDonnell Douglas	Independent nominating committee
Paramount Comm	Executive pay trends
Polaroid	Independent pay committee
Sears	Separate chairman & ceo

Source: Investor Responsibility Research Center, FT

* As of early March

Initially, companies were selected as targets on a somewhat subjective basis – what Mr Regan calls the *corporation du jour* syndrome.

One of the most important recent developments has been the adoption by several large funds of more scientific, computer-based "screens" to identify poor performers.

A particularly elaborate model has just been set up by the New York state fund, which is using it for the first time in its campaign against A&P. The three-stage screening process starts with a statistical review of a company's performance; goes on to an examination of its corporate governance and executive pay; and finishes with a consultant's report on the group's long-term prospects under the existing management.

The activists' main aim is to curb the power of a company's executive officers

The Council of Institutional Investors, an activist umbrella organisation, is looking at ways of sharing a similar service between all its members, so that screening is not limited to the largest, richest funds. Ms Sarah Teslik, the council's executive director, says screening will tend to concentrate institutional attention more powerfully on the same group of poorly performing managements.

But she hopes it may also help to broaden the corporate governance movement, at present dominated by the big state employee pension funds and individual activists, such as those belonging to the umbrella *United Shareholders Association*.

Performance screens could provide a degree of statistical respectability to help overcome the qualms of other investor groups, such as insurance companies and mutual funds, which up to now have been wary of the high-profile wave-making of the activists.

That said, the tactics of many activist institutions have mellowed over the past year or so. Take, for example, the California Public Employees Retirement System (Calpers), the largest public pension fund in America and the most prominent shareholder activist.

In preparation for this year's proxy season, it decided to focus on 12 companies, chosen after a performance screening, which it did not immediately name in public, and tried to get them to change through discussions with their non-executive directors before filing proxy proposals. In most of the cases it appears to have achieved its goals.

The main focus of concern for Calpers and many other activists, as demonstrated by this year's resolutions, is the composition of a company's board and its power structure. Their main aim is to curb the power of the company's executive officers – particularly where the roles of chairman and chief executive are combined – and give more weight to non-executive directors.

At some companies investors are demanding that any new directors be nominated by a committee composed entirely of non-executives; at others they are calling for the separation of the jobs of chairman and chief executive, or a non-executive chairman. And they are insisting that non-executives be put in charge of director compensation at companies where this is not already the policy.

They are getting results too: companies which two to three years ago dismissed the activists as minor irritants are now more prepared quietly to meet their demands and head off a proxy fight, having seen the muscle they can command. An important demonstration was last autumn's decision by Sears, Roebuck, the troubled retailing group, to spin off its financial services business after two years of pressure from activist investors led by Mr Robert Monks, a veteran of the shareholder movement.

The SEC's new rules give the institutions additional clout. "They have very fundamentally changed the proxy process – more so than I think even the SEC staff realised," says Mr John Wilcox, chairman of Georgeson & Co, which advises companies on proxy matters.

Under the old rules, if 10 or more holders of a company's stock discussed a shareholder proposal, they were required to send a notice to all stockholders and file documents with the SEC disclosing what they were doing. It was a cumbersome and extremely costly process.

The link between executive pay and performance is likely to be the hot issue in the near future

The new rules allow any number of shareholders to communicate orally without these restrictions (some written material must still be filed with the SEC), provided they are not seeking authority to cast the votes of others. They also allow investors to announce in advance of a meeting how they will vote, and why.

As a result, investors can now launch quick, informal proxy protest campaigns, simply by issuing a public statement saying they will vote against the directors of company X because of policy Y, and inviting others to join them. That is precisely what happened at A&P.

A similarly sudden protest campaign was mounted ahead of last week's annual meeting at Paramount Communications, the media group led by Mr Martin Davis. The public pension fund in the state of Wisconsin announced that it would withhold its annual meeting vote for the four directors responsible for Paramount's executive pay policy, on the grounds that the company's "abysmal" investment performance did not justify the substantial incentive bonuses they had paid management. And it sent notices to 150 other leading shareholders urging them to do likewise.

The Paramount protest is one of the first fruits of the SEC's new rules on the disclosure of executive compensation, which came into effect last autumn amid mounting public concern that the pay of US chief executives was spiralling out of control.

Companies must now provide a comprehensive new table disclosing the annual salary, bonuses and all other compensation awards of its top five officers over a three-year period and spell out stock option benefits more clearly.

The board committee in charge of compensation must also report on its pay policies and say how compensation relates to executive performance. And the proxy must include a graph showing total returns to shareholders over the past five years, compared with returns from a broad market index (such as the Standard & Poor's 500) and an index of peer companies.

The protest at Paramount ended up as a damp squib – the directors were re-elected with more than 98 per cent of the votes – but the link between executive pay and performance is likely to be one of the hottest activist issues over the next few months.

The ultimate test of all this wave-making is whether it leads to significantly improved financial and share price performance at the target companies. There is some evidence, albeit largely still anecdotal, to suggest that it may.

If so, putting money into poorly performing companies and then agitating for changes in corporate governance could become a significant investment strategy over the next few years. Some investors on the cutting edge of the governance movement are already moving in this direction. Calpers, for one, is considering actively investing $1bn itself in underperforming companies and putting cash in two similar outside funds.

One of these, called Lens Inc, was set up last year by Mr Monks, the Sears campaigner, and acquired stakes in four companies with the aim of persuading managements to improve corporate governance and change the group's strategy.

Two of them – Westinghouse and American Express – have since seen the forced resignations of their chief executives, while the others, Sears and Eastman Kodak, are in the throes of big shareholder-influenced restructurings. All but Westinghouse have enjoyed strong share price performances since initiating change, suggesting that good corporate governance may also be excellent capitalism.

Indeed, several prominent business academics see in this trend the potential seeds of a new compact between business and institutional shareholders, which they have labelled "relationship investing". This involves an investor making a large, long-term financial commitment to a company in return for a say in the way it is run.

Corporate America, which complains that most shareholders are interested only in short-term trading in and out of stocks, would get long-term investor stability, while the institutions would get a better-run business.

The idea is hardly new (though its wholesale implementation would be). After all, this kind of investing has long been practised by one of America's most successful fund managers, Mr Warren Buffett.

It also has plenty of pitfalls. For example, many institutions could face serious conflicts of interest if they became too closely involved in a business. But at least it offers one way of ameliorating the antagonism between the owners and managers of American business.

OBSERVER

Flying in the fast lane

■ Would Norman Lamont count as an economic indicator the number of tycoons rummaging around in Lord Hanson's executive toy locker? He might be pleased to hear from Colin Whicher, one of Lord Hanson's retainers, that Hanson Air has just sold its first whirlybird of 1993.

"We are doing well if we sell 10 helicopters and 10 aeroplanes a year," says Whicher, who reports a notable pick-up in interest in executive flying machines. He is particularly proud of his latest sales coup – a state-of-the-art flying bird which has no tail rotor, hence its name, Notar.

It is so modern that it has not even been certified in the UK and is aimed at the new breed of environmentally-conscious entrepreneur who wants to land anywhere without flattening everything around.

True, it may guzzle £200 of gas an hour, but it's much quieter than other 'copters and is also said to be safer – which may help keep down down the life insurance premiums.

However, when it comes to revolutionary executive toys, the $755,000 Notar – bought by racing car-owner David Richards – is pretty small beer.

Last month Hanson Air sold its first Beech Starship – a futuristic aircraft with its propellers back to front – to Tom Walkinshaw, another racing car junkie.

Indeed, when it comes to being first with new-fangled machines, competition in the air seems to be almost as fierce as on the race-track.

However, given that Walkinshaw's craft goes almost twice as fast as Richards' chopper, and costs more than six times as much, there is little doubt who has won the latest contest to impress. "Dave has never been in Tom's league," said one old racing driver yesterday.

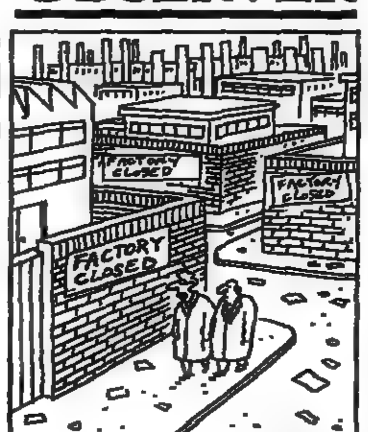
Green handcuffs

■ Still on the subject of green shoots that have not been spotted before, Malcolm Pike of Manchester lawyers Addleshaw Sons & Latham reports a noticeable business turnaround.

Having spent the last couple of years doing little else but negotiate individual redundancy packages, over the past couple of months he has come across three firms preparing to take legal action to prevent key staff being poached by competitors.

BBC power supply

■ While there may be plenty of reasons for a wholesale clear-out at the top of the BBC in the wake of the John Birt affair, there is one big reason why the authorities should hesitate.



'Pretty soon there'll be no one left to give or receive a Queen's Award for Industry'

Nearly half of the executives on the BBC's board of management have been replaced over the past couple of years and five of the 12 governors are due to retire over the next four months.

Some might argue that turnover of top bods has already been too speedy for comfort. After all, the reason for extending Lord Barnett's term as vice-chairman to July 1993 was so that he wouldn't retire at the same time as chairman Marmaduke Hussey.

If Hussey is forced to walk the plank, then the government will have to find a new chairman, as well as a vice-chairman and replacements for sensible folk like trade unionist Bill Jordan, Marks & Spencer boss Keith Oates, and thriller writer P D James.

Given the calibre of the governors remaining on the board, there is an argument for the BBC breaking with tradition and asking at least a few of the outgoing bigwigs to stay on.

Saintly diversion

■ The City Vaults, a Davy wine bar in St Martins-le-Grand, is celebrating St Patrick's Day with a menu which includes leek soup, a great Welsh dish, and bread and butter pudding, which cannot be anything but English.

But then Ireland's patron saint was not an Irishman.

CAT-echised

■ Abe Hirschfeld, the New York property mogul who agreed last Friday to acquire the New York Post, may have more than met his match.

Not exactly a media darling since he spat in the face of a woman reporter two years ago, Hirschfeld immediately sacked the editor, announced plans to slash another 270 jobs, and then named Wilbert Tatum, controversial publisher of a local black paper with a reputation for some pretty way-out views, to head the large newsroom.

So yesterday it was the journos' turn to hit back with their own unauthorised edition of New York's daily newspaper.

One profile of the new boss asked "Who is this nut?" while columnist Jack Newfield, who had just been given his marching orders, took another tilt at the proprietor's sanity.

"The problem with bankruptcy courts is that they have a metal detector in the lobby, but not a CAT-scan."

Howe'zat?

■ In case you were wondering why Lord Howe was not around to watch the British Budget, the answer is that he was away in Luxembourg receiving a prize for his distinguished services in pursuit of European unity. The prize is awarded by FVS Foundation of Hamburg in memory of Joseph Bech (1887-1975) who was foreign minister of Luxembourg for 33 years, and was twice prime minister while continuing his foreign office duties.

Even Lord Howe, who, as Sir Geoffrey, was chancellor of the exchequer then foreign secretary under Margaret Thatcher, can't compete with that. But he was very pleased to receive the prize, though slightly sorry about the date.

Competitive edge

■ A press release has just landed on Observer's desk advertising the first major conference on Total Quality Management for Pension Finds.....

FINANCIAL TIMES
Wednesday March 17 1993

Warning of 'serious threat' to democracy ■ Mitterrand seeks G7 meeting

Call by Yeltsin for immediate western support

By John Lloyd in Moscow

MR BORIS YELTSIN, the Russian president, yesterday called for immediate and substantial western aid to stave off what he called "the serious danger of reaction" in Russia.

Mr Yeltsin, speaking at a joint news conference with French president François Mitterrand, said "there is a very, very serious threat hanging over democracy and reforms".

He said last week's session of the Congress of People's Deputies, the country's top legislature, showed that communist forces were intent to avenge their defeat in the 1991 coup. "I believe the western world and western countries did not understand the reality of revanchism before the eighth Congress," Mr Yeltsin said in calling urgently for aid. "We cannot wait for Tokyo in June or July. It may prove too late," he added.

Mr Mitterrand suggested Group of Seven leaders meet as soon as possible after Mr Yeltsin's summit with President Bill Clinton in Vancouver on April 4 to discuss Russia's problems.

When asked if the west would continue its support for Mr Yeltsin if he introduced authoritarian measures, Mr Mitterrand said: "If we must choose between camps in the country then we will choose the camp which continues democratic and economic reform."

He added, however, that Mr Yeltsin had "proposals to make to the Russian people and I am certain he will do so in a democratic way".

Mr Yeltsin has said he will continue to hold a plebiscite next month, after the Congress denied him the right to hold a referendum. In doing so, he will directly challenge the parliament, which has ruled such a move unconstitutional and has voted itself the powers to strip him of office.

Mr Yeltsin said he would not make "rash decisions" but would resolve what to do in the near future. He and Mr Mitterrand said the crisis would have to be settled in the next few weeks.

The French president made clear there were sharply differing views among the Group of Seven industrialised countries on the urgency of aid to Russia. France and Germany were leading those who believed in the need for urgent action.

Japan by contrast had so far refused to take part in a high-level G7 meeting before the scheduled heads of state conference in Tokyo in July.

Mr Mitterrand suggested that if Japan continued to refuse to take part, the meeting should go ahead outside the formal boundaries of the G7 process.

Mr Yeltsin also said there could be several changes in the cabinet of ministers – but insisted these had been planned long before the clash with Congress and would be made on grounds of competence.

His advisers have pressed him to make a move towards the centrists, represented by the Civic Union bloc, by offering seats to their representatives as a way of broadening his political base before holding a plebiscite.

● The European Bank for Reconstruction and Development announced it had signed a $43.8m technical co-operation loan to aid privatisation in Russia.

Regions weigh up Moscow power struggle, Page 2
Editorial Comment, Page 15

François Mitterrand (left) and Boris Yeltsin in Moscow where they agreed the Russian crisis had to be resolved within weeks

Bundesbank cautious over prospects for cut in rates

By Christopher Parkes in Frankfurt

LAST weekend's solidarity pact between the German government and opposition, although positive, was not a reason in itself for easing interest rates, Mr Otmar Issing, a member of the Bundesbank's directorate, said yesterday.

Monetary developments remained the main basis for such decisions, he told a conference in Wolfsburg. Mr Issing, however, welcomed the agreement which, he said, ended political uncertainty.

The central bank council would examine its implications for public sector debt and taxation levels at its meeting tomorrow. "We have to analyse what the result means in concrete terms for the economy," he said.

Although the package has been widely welcomed on political grounds, analysts suggest it will lead to increased government deficits in the short term. They also point out that the direct and indirect tax increases run counter to the Bundesbank's declared preference for spending cuts rather than higher taxation.

Mr Issing's caution contrasted with an upbeat claim by Mr Theo Waigel, finance minister, that prospects for further interest rate cuts had been improved. Now that money supply was on course, conditions were more favourable, he said.

Many analysts say a cut of at least ¼ percentage point in both the 8 per cent discount rate and the 9 per cent Lombard rate is likely tomorrow, although they agree that last weekend's political developments will have at best a neutral impact on the bank council's thinking.

According to Mr Issing, monetary policy was not part of the solidarity pact, nor was it dependent on other political circumstances.

He was not sure if money supply figures for February would be available for tomorrow's meeting of the bank's central council, but inflation was still too high, he noted.

Growth in the M3 measure of money supply is widely believed to be shrinking under the pressure of recession. Inflation, 4.2 per cent at the last reckoning, is tending to fall. While wholesale prices rose 0.2 per cent between January and February, they were still 1.8 per cent lower than a year earlier, the federal statistics office reported yesterday.

In January, M3 contracted at an annualised rate of 2.4 per cent, revised from a preliminary 2.3 per cent, in contrast to the bank's target range of 4.5-6.5 per cent annual growth. Preliminary figures are usually available around the 20th of each month.

Meanwhile, the Bundesbank yesterday held to the lower rates at which it supplies wholesale funds to the money market with the announcement of a fixed rate tender for securities repurchase funds at 8.25 per cent.

In spite of apparent tightness in the market – call money rates rose towards 8.75 per cent yesterday after 8.40-8.45 per cent on Monday – the central bank said it believed there was enough liquidity in the markets.

Mr Johann Gaddum, a directorate member, said the new "repo" allocation was expected to ease some of the "unjustified" concern in the markets.

The bank surprised markets earlier this month when it lowered the "repo" rate by almost ¼ point to 8.25 per cent. This was seen as a signal that the discount and Lombard rates were likely to be cut at this week's meeting.

VW slashes dividend after profits collapse

Continued from Page 1

Schmidt, a hitherto low-profile director formerly in charge of overseas operations and distribution strategy.

Mr Ulrich Seiffert, the research and development chief, lost his place on the parent board but he retains his post as R&D director at the Volkswagen brand subsidiary. His research responsibilities will be taken on by Mr Gunnar Larsson, promoted last month from the group's Audi subsidiary.

Mr Piëch, an Austrian promoted from the leadership of Audi, warned recently that the German car industry faced its worst crisis since 1945. In his first address to the Wolfsburg workforce earlier this month, he said job losses and spending cuts were unavoidable.

After a pre-Christmas surge ahead of an increase in value added tax, German car sales have slumped by more than 25 per cent in the first two months of this year. According to VW estimates, German deliveries will fall 20 per cent this year and overall European sales will be down 10 per cent. Financial markets, closed long before the news was announced, had been braced for the poor results confirmed after an all-day meeting of the supervisory board of the group parent, Volkswagen AG.

The company had already revealed that it suffered losses in the last quarter of 1992 and expected worse in the first three months of this year.

UK deficit soars as tax rises are deferred

Continued from Page 1

venture between British Rail and BAA, the private sector airports operator. The Channel tunnel rail link is to proceed as a joint venture between the public and private sectors by the end of the decade, with St Pancras station being the London terminal.

Mr Lamont also said he expected Britain's current account deficit to rise to £17.5bn in 1993 from £12bn last year.

Shares are expected to suffer today because of Mr Lamont's decision to cut the tax levied on dividends, called advance corporation tax, from 25 per cent to 20 per cent in two stages. Because pension funds can reclaim this tax, the effect of the change will be to reduce their income from holding shares. When the change takes effect, the average gross dividend yield of the stock market will fall. On the basis of the new tax rate, the average yield would have been 3.88 per cent last night, compared with the actual rate of 4.14 per cent.

Barclays and National Westminster, the two biggest banks, said meanwhile they had no plans to increase their purchases of government securities after Mr Lamont said bank and building society purchases of gilt-edged stock would count towards the funding of the deficit.

Additional reporting by Robert Peston and Roland Rudd

EC offers US joint study to cool row on procurement

By Lionel Barber in Brussels

SIR LEON BRITTAN, the European Community's commissioner for external economic affairs, yesterday intervened to cool the growing EC-US dispute over government procurement and telecommunications.

Sir Leon announced that the EC was ready to sponsor jointly an independent study to establish "objective criteria" for the parallel opening of the US and EC procurement markets. The decision to publicise this proposal was viewed in Brussels as offering Mr Mickey Kantor, the US trade representative, an opportunity to withdraw his threat to bar EC companies from certain federal contracts, from Monday.

EC officials said the offer to sponsor an independent report on restrictions to competition created by Buy American and Buy European legislation would have been introduced during talks due this week. But Mr Kantor's unexpected decision to pull out thwarted the EC initiative.

Sir Leon yesterday repeated his earlier proposal to waive the EC utilities directive's Article 29 – the US is understood to be pressing for suspension of this article. The directive offers a 3 per cent price preference to European companies on condition that the US makes reciprocal moves to open the US market in transport, power generation and telecommunications.

A US trade official in Washington said Sir Leon had been asked to put the offer of the study on paper.

It is unlikely that the study – even if it is agreed – will stop sanctions being imposed on schedule. "There are all sorts of studies already," the official said. But the "discrimination" against US suppliers has persisted.

Sir Leon, however, also warned that if the US went ahead with its threat, the EC would view such actions as "unilateral" and "unacceptable" and would follow up with appropriate responses.

The EC offer came two days before Mr Jacques Delors, European Commission president, is due to hold talks with Mr Clinton in Washington. Tomorrow's meeting offers a chance to reduce EC-US trade tension on steel subsidies, the stalled Gatt Uruguay Round and the procurement dispute as well as to cement a working relationship between the two leaders.

World Weather

City		°C	°F
Ajaccio	R	13	55
Algiers	F	21	70
Amsterdam	F	10	50
Athens	S	15	59
Bahrain	S	21	70
Bangkok	F	33	91
Barcelona	S	15	59
Beijing	S	8	46
Beirut	S	15	59
Belfast	C	7	45
Belgrade	F	12	54
Berlin	F	16	61
Bermuda	R	14	57
Bombay	S	29	84
Bordeaux	S	18	64
Boulogne	C	8	46
Brussels	F	15	59
Budapest	S	13	55
Buenos Aires	R	26	79
Cairo	F	17	63
Cape Town	S	31	88
Caracas	C	30	86
Casablanca †	S	27	81
Chicago †	R	3	37
Cologne	F	17	63
Copenhagen	R	7	45
Corfu	S	15	59
Dallas †	C	15	59
Dublin	R	8	46
Dubrovnik	S	15	59
Edinburgh	C	7	45
Faro	S	19	66
Florence	S	15	59
Frankfurt	S	15	59
Geneva	S	15	59
Gibraltar	C	15	59
Glasgow	R	7	45
Helsinki	R	5	41
Hong Kong	C	25	77
Innsbruck	F	13	55
Inverness	S	9	48
Islamabad	C	21	70
Istanbul	F	7	45
Jakarta	R	32	90
Johannesburg	C	19	66
Lisbon	S	18	64
London	C	12	54
Los Angeles †	F	14	57
Luxembourg	S	15	59
Madeira	F	17	63
Madrid	S	15	59
Majorca	F	18	64
Malaga	S	18	64
Malta	S	16	61
Manila	F	33	91
Melbourne	C	17	63
Mexico City	F	27	81
Miami †	C	19	66
Milan	S	15	59
Montreal †	Sn	-7	19
Moscow	C	4	39
Munich	S	14	57
Nairobi		–	–
Naples	F	15	59
Nassau	C	20	68
New Delhi	S	24	75
New York †	S	-1	30
Nice	S	15	59
Nicosia	S	15	59
Oporto	S	20	68
Oslo	S	10	50
Paris	F	19	66
Prague	S	15	59
Reykjavik	C	2	36
Rhodes	S	15	59
Rio d'Janeiro	S	36	97
Rome	F	14	57
Salzburg	S	15	59
S'Francisco †	S	13	55
Seoul	F	7	45
Singapore	R	27	81
Stockholm	C	7	45
Strasbourg	F	18	64
Sydney	F	24	75
Taipei	R	20	68
Tangier	F	18	64
Tel Aviv	S	17	63
Tenerife	Dr	18	64
Tokyo	C	9	48
Toronto †	F	1	34
Tunis	S	18	64
Valencia	F	16	61
Venice	Fg	8	46
Vienna	S	15	59
Warsaw	C	10	50
Washington †	S	-1	30
Zurich	S	14	57

Temperatures at midday yesterday
† Noon GMT temperatures
C – Cloudy Dr – Drizzle
F – Fair Fg – Fog H – Hail
R – Rain S – Sunny
Sl – Sleet Sn – Snow
T – Thunder

THE LEX COLUMN

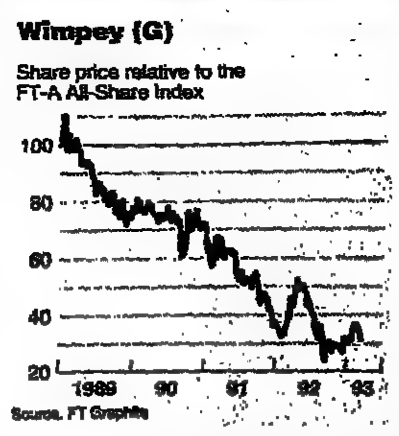
A tax on the markets

Mr Norman Lamont may have thought he was pleasing UK voters by refraining from any net tax increases, but his budget does little for financial markets. There has been no interest rate cut; at £50bn next year's public sector borrowing requirement is considerably larger than expected; and changes to the advance corporation tax regime cast a shadow over the equity market. Perhaps the chancellor decided that by making equities less attractive to institutions, he would encourage them to buy gilts. That remains to be seen. What is clear is that, on the basis of yesterday's figures, PSBR problems will dog the recovery for years to come. The deficit will still be £30bn in 1997-98.

The risk in raising additional revenue in 1993-94 was always that of hitting confidence in the early stages of recovery. But knowing that the pain is simply deferred will do little for consumer spending. Despite unpopular planned measures such as extending value added tax to domestic fuel and increased national insurance rates, the PSBR trend may force the government into drastic spending cuts in November.

The nagging worry is whether it would then have the courage to act. Yesterday's effort again betrays the anxieties of a government afraid to court unpopularity while it has a small majority. It will not do much for the gilts market. Mr Lamont conceded the relaxation of the funding rule, but offered no extra retail incentives nor the steeper yield curve which would encourage banks to buy. The authorities might hope to engineer that with another cut in base rates, but that could be hard to square with concern over the exchange rate, especially since, despite Mr Lamont's insouciance, a large current deficit cannot be financed indefinitely.

FT-SE Index: 2919.3 (-3.1)



UK equities

The chancellor's proposed reform of the advanced corporation tax system looks like a can of worms for UK equities. By lowering the rate of ACT payable by companies on dividends, Mr Lamont will also reduce the credit recoverable by tax-exempt investment institutions from the Inland Revenue. That will reduce pension funds' income from UK equities by £1bn a year by 1996, when the ACT rate is lowered to 20 per cent.

Since pension funds own a large slice of the UK equity market, lower share prices may result. High yield stocks could be hardest hit because their investment returns will fall the most. Fund managers might equally place a higher value on the gross investment income offered by gilts. There is also the thorny question of valuing the pension funds themselves: actuaries valuing equity holdings on the basis of anticipated dividend income may have little option but to break out the red ink.

Companies which cannot offset ACT against their mainstream corporation tax should be the beneficiaries. BAT Industries, for example, which wrote off £96m surplus ACT last year, will have the option in future of paying its dividend out of a designated stream of overseas earnings. If a surplus arises, ACT can then be recovered from the Revenue. The snag is that such "foreign income dividends" will be paid without a tax credit and are therefore worth 20 per cent less to a pension fund. The company could always increase its dividend by 20 per cent to compensate. But that can hardly be the outcome the chancellor intended.

Drinks sector

The chancellor's decision to exempt spirits from excise duty represents a considerable victory for the Scotch whisky lobby. At one level it marks a step towards redressing the discrimination against spirits in the tax regime for alcohol. At another it is a gesture towards harmonisation of UK duties with the much lower rates applying elsewhere in Europe. The more lenient attitude of the British government will certainly give the industry some extra credibility in lobbying against possible duty increases elsewhere.

But there may not be much short-run effect on earnings. Though the fall in domestic spirits consumption is expected to slow this year, the market remains soft. Consumption trends are unlikely to be affected by the chancellor's decision to forgo an indexation of duties which would have added only 17p to a bottle of spirits.

For beer and wine, the story is more complicated. The decision to raise duties on these categories by twice the inflation rate will probably make little difference to overall consumption-levels, but it will exacerbate the problems caused by personal imports from the continent. This affects the retail trade as much as the brewers. It is particularly unhelpful for brewers like Whitbread whose market is concentrated in the south-east, and which also owns the Threshers off-licence chain.

UK housing

Wimpey's results confirmed that the housebuilding sector remains a kaleidoscope of blue language, red ink and green shoots. On balance, the budget seems likely to encourage the incipient revival in the housing market even if it does not immediately help corporate profitability.

Many housebuilders have recently reported a strong rise in demand in response to lower interest rates. Wimpey was typical in announcing a 33 per cent increase in house sales since the start of the year. The slight caution that spread ahead of the budget will probably now evaporate. For first-time buyers, at least, the increase in the threshold for stamp duty is likely to be a more significant incentive than the reduction in mortgage interest relief proves a deterrent. But a rise in the volume of housing transactions will not necessarily provide an instant stimulus to prices. Housebuilders have had to provide carrots to attract buyers. Negative equity will continue to depress the general market. The new threshold for stamp duty will make it hard for prices to rise above £60,000 for those houses aimed at first-time buyers. This may not prove too great a problem: last year about two-thirds of new houses were sold below that price. Nevertheless, housebuilders will continue to face margin pressure. Price increases for a range of building materials will squeeze profits. Land prices now seem set to rise faster than house prices – favouring those companies which can boast long land banks.

FINANCIAL TIMES
COMPANIES & MARKETS
Wednesday March 17 1993

INSIDE

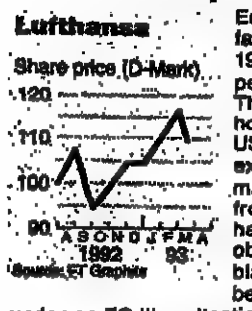
Digital learns from its mistakes

Digital Equipment has seen better days. The US group, once second only to IBM in computers, leads in hardly any area of business. The company failed to exploit the industry's two most important developments: the personal computer and the move to "open" or industry-standard systems. However, Dr Juan Rada, head of strategic alliances for Digital, believes the mistakes leave the company with a clean sheet for the future. Page 20

UK engineer passes dividend

Simon Engineering has passed its final dividend after announcing a steep fall in pre-tax profits from £18.3m to £5.3m ($7.52m) in the year to December 31. Page 23

Airlines anticipate recovery

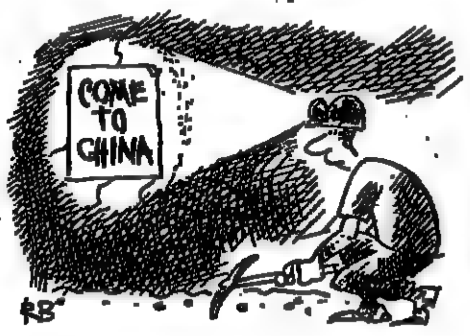


European airlines are facing further losses for 1993 after a depressed performance last year. They are pinning their hopes on signs that the US and, to a lesser extent, the UK economies may be emerging from recession. Lufthansa surprised some observers when it blazed a trail at the beginning of the year under an EC liberalisation directive allowing cheaper ticket pricing. Back Page

Creative naming

Mr Sim Wong Hoo started a company in Singapore called Creative Technology just over 10 years ago. Now his company is a star of the computer scene, not just in Singapore but also in the US. In August Creative was listed on the Nasdaq over-the-counter exchange in the US. Its shares, offered at $12, shot up to nearly $40 at one stage and now trade in the upper $20s, valuing Creative at $1.2bn. Little wonder that Mr Sim is known as the Bill Gates of Singapore. Page 21

China welcomes explorations



Broken Hill Proprietary, the Australian steel and resources giant, is stepping up its involvement in China with new explorations ventures in oil and minerals. China has tended to guard jealously its minerals and oil and gas resources from foreign involvement, but with demands from the leadership for speedier economic development, officials are now beginning to seek assistance abroad. Page 26

Market Statistics

Companies in this issue

Chief price changes yesterday

FRANKFURT (DM)				PARIS (FFr)			
Rises				**Rises**			
Asko	735	+	10	Immobanque	773	+	23
Badenwerk	320	+	7	Roussel-Uclaf	595	+	10
GEHE	425	+	15	**Falls**			
Volkswagen	290.5	+	5	BSN	976	−	13
Falls				Ecco	409	−	8
Hochtief	1201	−	14	Fonc Lyonnaise	645	−	20
Porsche	468	−	12	Schneider	679	−	13
NEW YORK ($)				**TOKYO (Yen)**			
Rises				**Rises**			
Citicorp	29¾	+	1⅛	Konami	2890	+	400
Falls				Nikko Electric	306	+	28
Chemical Waste	17⅝	−	1⅝	Okaya Electric	365	+	40
Marion Merll	18¾	−	4⅛	**Falls**			
Merck	37⅝	−	1	Asahi Optical	358	−	19
Pfizer	60⅜	−	1¾	Okura	519	−	51
Schering-Plough	58½	−	1¼	Showa Mining	320	−	26

New York prices at 12.30.

LONDON (Pence)							
Rises				Perkins Foods	113	+	7
Amber Day	82	+	6	Ransomes	31	+	3
Amstrad	38	+	2½	Rexspur	17	+	4½
Avesco	66	+	7	Spandex	340	+	25
Borthwicks	46½	+	5½	Transfer Tech	558	+	33
Brabant Res	53	+	9	Whitegate Lels	27	+	5
Cussins Prop	65	+	7	**Falls**			
Goodhead	26	+	3	BM Group	54	−	6
HSBC	624	+	20	Gestetner	118	−	12
Harmsworth A	361	+	26	Owners Abroad	138	−	9
Hoskins Brew	53	+	10	Sind Platform	38	−	[illegible]
Ivernia West	48	+	5	Trafalgar Hse	73½	−	5
Kode Int	189	+	13				
Kwik-Fit	105	+	8				

■ Cash injection takes investment by US company to more than $500m

GE recapitalises Hungarian lighting group

By Nicholas Denton in Budapest

GENERAL ELECTRIC of the US yesterday moved to inject Ft17bn ($195m) of fresh capital into Tungsram, its troubled Hungarian lighting joint venture, in the wake of losses which wiped out the company's equity.

The infusion will take GE's investment in Hungary over $500m – far more than the US company envisaged when in 1990 it paid $150m for an initial 50 per cent stake in Tungsram.

The decision on recapitalisation was taken at an extraordinary general meeting of the company yesterday.

GE, which owns 75 per cent of the group, forced through the recapitalisation against the objections of Hungarian Credit Bank, a state-owned bank, which controls 24.4 per cent of Tungsram's capital.

The recapitalisation comes a week after Tungsram announced losses of Ft9bn in 1992, 70 per cent more than the year before.

Mr Charles Pieper, chief executive of GE Lighting Europe and Tungsram itself, blamed cost inflation, the strength of the Hungarian currency and restructuring charges.

But Hungarian Credit Bank said yesterday that it could not understand the extent of the losses. The bank has hired Coopers & Lybrand, the international accountants, to conduct an independent audit of Tungsram's results. The bank said that it had voted against the GE proposals because it was "absolutely unhappy" with the value given to its shares in Tungsram. An executive said that the interests of minority shareholders had been neglected.

GE for its part described the restatement of Tungsram's capital as "realistic". A GE spokesperson said: "We have lost the equity value of the company."

But both sides agreed that some kind of recapitalisation was essential. GE said that it was necessary to pay down external debts of $200m and make new investments.

Hungarian Credit Bank retains the option of maintaining its shareholding by taking up part of the capital increase. GE said it hoped that the minority shareholders would participate.

But Hungarian Credit Bank, which has been hit by large bad loans and is in the process of being privatised, is unlikely to commit further funds to Tungsram, a government official said.

Background, Page 18

Robert Peston reports on the aftermath of a disagreement at Baring Securities

Split over strategy for merchant bank

Five years ago, Mr Christopher Heath was a stockbroker who had it all. He was reputedly the UK's highest paid man, earning several millions pounds a year – and the Asian securities firm he had founded, Baring Securities, had received establishment approval with a Queen's Award for Export Achievement (in 1991 it won a second Queen's Award).

On Monday, he appeared as mortal as the hundreds of other City of London brokers who have lost their jobs in the past few years. He resigned as chairman of Baring Securities and all his other directorships in the firm's parent company, Barings Plc, having had a disagreement over strategy with the parent company's deputy chairman, Mr Andrew Tuckey.

If the spoils for Mr Heath have been rich, they have not been insubstantial for the merchant banking group Barings – though the precise level of its earnings from Baring Securities have been obscured in its traditionally opaque accounts.

In the early 1980s, Barings had been a staid and somewhat sleepy merchant bank – a pale shadow of the family business described by the Duc de Richelieu in 1818 as the sixth great power in Europe (though Barings is probably today better known for being at the heart of the City of London's greatest financial crisis of the last century, the 1890 Baring crisis).

In 1984, Barings made one of its most astute investments when it bought the Asian stockbroking business set up by Mr Heath. The core of this securities business was the purchase and sale of Japanese equities to non-Japanese investment institutions.

Foreign interest in Japanese shares reached a peak in the mid-1980s – and Baring Securities was one of the main beneficiaries. It became the most profitable UK-owned broker of Japanese shares – and one of the most profitable Asian securities firms in the world (though its profits were a fraction of domestic Japanese firms).

Christopher Heath: resigned Baring Securities chair

Andrew Tuckey: Barings deputy chairman

Miles Rivett-Carnac: takes over from Heath

The success of Baring Securities seemed to give a new impetus to Barings' traditional activities – though much of the credit for this revival was because of a reorganisation by Mr Tuckey.

Barings' fund management business has grown rapidly and today has more than £22bn ($31bn) under management. But perhaps more important has been the revival in the traditional heart of Barings, its corporate finance department which provides advice to UK and international companies. Its return to the first division of UK corporate finance was confirmed last year when it was chosen by Lloyds Bank as its adviser in the battle with Hongkong Bank for control of Midland Bank.

"The success of Baring Securities was helpful to the group as a whole," Mr Tuckey said yesterday. "But the success of the bank [in corporate finance] and of asset management would have happened in any event."

Barings: pre-tax profit (£ 000s)

	1992	1991
UK	2,018	32,125
Other Europe	3,598	1,044
North America	5,123	(3,015)
Asia/Pacific	25,684	21,288
Rest of world	(608)	(86)
Interest and exceptional costs	(15,549)	(8,873)
Total	21,254	42,481

The culmination of his expansionist strategy came at the end of 1991 when Barings bought a 40 per cent stake in one of Wall Street's investment banks, Dillon Read. In the table, the return to profit of Barings' US business is predominantly attributable to Dillon Read.

But last year Mr Heath's magic goose stopped laying golden eggs. As Japanese share prices have fallen dramatically over the past three years, foreign investors' interest in Japan has wained.

Almost 40 per cent of Baring Securities' revenues are still linked to Japanese securities trading, even though it has over the past five years built up profitable businesses in other Asian and South American markets.

As a result, Baring Securities incurred a loss of nearly £20m last year, in part due to the costs of cutting more than 100 staff in September and making provisions for the costs of surplus office space. Because Baring Securities is headquartered in London, its loss contributed to the fall in its parent's UK profits from £32.1m to £2m in 1992 as shown in the table.

The disagreement between Mr Heath and Mr Tuckey, which reached a climax at the weekend, was over measures to return Baring Securities to profit. Mr Heath wanted Barings to allocate more of its capital to Baring Securities, so that the securities firm could carry out more proprietary trading, which is the business of trading securities and derivative instruments for its own account – several US securities houses, such as Salomon Brothers, have adopted such a strategy in Japan. However, Mr Tuckey believed this would make the group too exposed to the performance of the securities business. His aim is to create a group of equally important divisions, so that a poor performance by one business can be offset by profits from another.

He believes the way to boost Baring Securities' profits is to encourage it to work more closely with the corporate finance department, so that it can win an increasing number of mandates to issue new securities for companies in Asia and South America.

The other part of his strategy, which will be carried out by Baring Securities' new chairman, Mr Miles Rivett-Carnac, is for Baring Securities to concentrate on emerging markets, such as those in South America, Singapore, Korea, Indonesia, Taiwan and Malaysia, where dealing commissions are far wider than in developed markets.

But Mr Tuckey insisted there were no plans to prune the Japanese business any further. He also denied market speculation that there would be cuts in the 100 staff employed in trading derivatives. Indeed he said that the securities business had proved to be remarkably resilient, following the reorganisation last autumn. "We have maintained our market share in all major markets," he said. Baring Securities is back in profit.

As for Mr Heath, he is staying at Barings as a consultant. However, his friends say he is still "very hungry", for all his millions. Baring Securities could one day face competition from a new Heath-led broker.

Owners Abroad fights off hostile bid

By Richard Gourlay and Michael Skapinker in London

OWNERS Abroad, the UK's second largest holiday tour operator, yesterday narrowly fought off the hostile £290m ($411.8m) bid from rival Airtours after one of the closest takeover battles London has seen in recent years.

The outcome was only decided yesterday after Gartmore, a 7.6 per cent shareholder in Owners Abroad and a strong early supporter of the Airtours bid, switched its allegiance to the defender at the last moment.

Thomas Cook, the German-controlled travel agency which will now forge a commercial tie-up with Owners Abroad, also proved decisive. Yesterday, Thomas Cook increased its stake to 8.37 per cent.

At 1pm when the offer closed, Airtours had received acceptances from shareholders representing 35.18 per cent of Owners' shares. Airtours continued to buy shares yesterday morning, taking its stake in Owners Abroad to 8.2 per cent. Thomas Cook is expected to end up with a 17.8 per cent stake in Owners Abroad. Last week Thomas Cook said it would tender for up to 12.5 per cent of Owners' shares at 150p.

Owners' shares fell yesterday from 138p to 126p. Owners Abroad's share register will also include Mercury Asset Management, the 15 per cent shareholder that supported Airtours' bid.

Owners' defence of its independence was welcomed by many in the holiday industry who were angry when the Secretary of State for industry did not refer the bid to the UK Monopolies and Mergers Commission.

"The market has done the job that the Secretary of State failed to do," said Mr Noel Josephides, chairman of the Association of Independent Tour Operators.

The small operators had warned they could be forced out of business by a price war that they anticipated Thomson, the market leader in the UK, would launch had Airtours won.

Mr David Crossland, Airtours chairman, said he was disappointed Thomas Cook's "spoiling action" had carried the day.

"As the largest independent customer of Air 2000 [Owners' charter airline] and now one of the largest shareholders in Owners Abroad, we shall be watching developments at the company closely," Mr Crossland said.

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UK housebuilder announces worst loss in 100 years

By Andrew Taylor, Construction Correspondent

GEORGE WIMPEY, Britain's second largest housebuilder, yesterday announced a £112.4m ($160m) pre-tax loss, the worst result in its 100-year history.

The loss, taken after an exceptional provision of £113.8m, underlines the depth of the recession in the UK housing and construction markets. It follows a £16.1m pre-tax loss in 1991.

Mr Joe Dwyer, chief executive, however claimed that the worst may now be over – particularly in the UK housing market where Wimpey's sales had risen 33 per cent since the New Year against the first 10 weeks of last year.

"There are clear signs that the market is strengthening. I believe this trend will continue provided measures in the Budget do not undermine fragile returning confidence," said Mr Dwyer.

The company's shares rose almost 8 per cent to 136p following Wimpey's up-beat comments on UK house sales and on reports that group borrowings had reduced further than expected.

Net debt, benefiting from disposals and a strong cashflow from construction, fell last year from £206m to £136m reducing the company's gearing from 35 per cent to 30 per cent, its lowest for a decade. The group raised more than £300m from selling commercial properties and peripheral businesses since 1989.

Provisions, mostly against the group's UK and US housing and commercial property operations, included £25.5m against the cost of unwinding previously agreed interest-rate hedging deals.

Arrangements agreed in the late 1980s to protect Wimpey against rising interest rates had worked against the group. These had added about £7m to interest charges which last year fell £29.1m to £19.4m.

Joe Dwyer: 'There are clear signs that the market is strengthening'

Mr Dwyer said: "We believe that our 1992 results represent a low point in our profitability. I expect trading overall to remain difficult during 1993. However there are now positive signs emerging that the business cycle is beginning to turn both in the UK and US."

The company, in spite of losses per share after exceptional and extraordinary provisions of 41.31p (compared with 11.13p loss per share in 1991), is paying a final dividend of 3.25p (down from 6.5p) making a total for 1992 of 5.25p (against 10.5p)

Mr Dwyer said that the group's low gearing and cost base – following a 30 per cent reduction in its UK workforce – meant it was well placed to take advantage of a recovery.

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Mixed response to Olivetti rights issue

By Haig Simonian in Milan

OLIVETTI'S L803bn ($584m) rights issue, one of Italy's biggest, has been met with mixed reactions among investors, against news of further losses in other parts of Mr Carlo De Benedetti's business empire.

Olivetti announced preliminary net losses of L650bn on Monday, up by almost 50 per cent from 1991. Separately, Mr De Benedetti's listed CIR and Cofide holding companies reported steep falls into loss.

CIR, which is the controlling shareholder in Olivetti, lost about L540bn in 1992, against net profits of L49bn. Cofide, which is the biggest shareholder in CIR, reported preliminary group losses of L290bn compared with a net profit of L41bn.

The scale of the losses at the two companies reflect the depressed state of Olivetti and severe problems at Cerus, Mr De Benedetti's French investment arm.

The difficulties at Cerus have been largely caused by the need for higher provisions at Banque Duménil Leblé, which has been caught up in the severe property slump. Together, the problems at Olivetti and the French bank accounted for about L450bn of CIR's losses.

According to CIR, improved earnings were likely at "almost all" the group's other industrial operations, which had enjoyed "a very positive year".

The subsidiaries include Valeo, the French car parts company; Sogefi, its equivalent number in Italy; Sasib, the Italian specialist engineering concern; and the Espresso/Repubblica newspapers and magazines group.

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IRI plans more share deals to cut huge debts

By Haig Simonian in Milan

SENIOR executives at IRI, Italy's biggest state holding company, facing consolidated debts of over L70,000bn ($43.61bn), are determined to push through further complex share swaps among subsidiaries, despite severe criticism from the stock market and investors.

The attacks follow weekend leaks that IRI plans to cede to its Stet telecommunications arm for three years the dividend on its 57 per cent stake in the ordinary shares of Banca Commerciale Italiana, the big bank which is a future privatisation candidate.

The transaction will allow Stet, which is highly profitable, to offset tax credits on the dividends against its tax bill and provide a net return of 23 per cent. Meanwhile, IRI, which is facing crippling losses following difficulties at many of its industrial operations, will receive a L340bn payment in return.

Although shifting tax credits within a group to lower its overall tax burden is commonplace in Italy, IRI's plan has produced a barrage of criticism. The attacks on the deal range from claims that it will block BCI's privatisation to suggestions that corporate tax avoidance is immoral.

"I don't know what they're complaining about", said one banker closely associated with the transaction. "Half of corporate Italy does this; it's the 22nd deal of the kind I've done".

Financial engineering of dividend payments also reflects the six-year period Italian companies have to wait before they receive tax credits from the government. When eventually paid, the money attracts interest at far below market rates.

IRI has about L3,700bn in tax credits outstanding, implying that it could undertake a large number of similar transactions. However, bankers point out that not all the credits are suitable, and the overall amount that could be in the short term is about L1,000bn, of which L340bn will come from the Stet deal.

IRI has a number of cash-rich subsidiaries which could be used for similar exercises. One obvious candidate is Sirti, the network engineering arm of Stet, which has a cash pool of about L1,000bn.

Ambroveneto raises profits 31% to L171bn

By Haig Simonian

BANCO AMBROSIANO Veneto (Ambroveneto), Italy's biggest private sector bank, raised parent bank net profits by 31 per cent to L171.4bn ($106m) last year, in spite of the recession and the need for write-downs on securities holdings.

The improvement restores the upward trend in earnings which had been upset by the need for substantial write-downs on the book value of two subsidiaries in 1991. However, the dividend remains unchanged at L150 for ordinary shares and L170 for savings shares.

Gross operating income, net of interest on overdue accounts, rose 17.4 per cent to L710bn due to an improved interest margin and a "significant" contribution from fee income.

Ambroveneto set aside L253bn for loan loss provisions last year, compared with L180bn in 1991. Write-downs on securities and investments amounted to L71bn, against L207bn the previous year, when L170bn was set aside for the newly-acquired Citibank operation.

Deposits rose by 21 per cent to L21,367bn and lending by 21 per cent to L18,836bn.

MoDo stops payout after tumbling into loss of SKr1.7bn

By Christopher Brown-Humes in Stockholm

MODO, the Swedish forestry group, has cancelled its dividend after swinging to a SKr1.7bn ($216m) loss in 1992 from a SKr221m profit a year earlier.

The result, which was worse than expected, was hit by SKr700m in foreign exchange losses and start-up costs for a new French mill, but highly competitive market conditions were the main reason for the decline.

Excess of supply for most forest industry products continued during 1992, squeezing prices and capacity utilisation, despite higher demand, said Mr Bernt Löf, the group chief executive.

Losses doubled in the final four months of the year from SKr811m at the eight-month stage, with the weakening of the krona from November coming too late to benefit the group. In 1991, the group paid a SKr7 dividend, which was down from SKr13 in 1990.

Sales fell to SKr15.7bn from SKr17.4bn, and the group saw an operating loss of SKr135m after a SKr1.06bn profit in 1991. This was aggravated by higher financial costs of SKr1.3bn, against SKr841m.

The main lossmaker was MoDo Paper, where operating losses deepened to SKr696m from SKr194m, but profits sank sharply at Holmen Paper to SKr40m from SKr496m.

Mr Löf said the group's rationalisation programme, which resulted in 950 job losses, had saved the company more than SKr500m during the year, and he predicted a further benefit this year.

The group said it expected its capacity utilisation, which fell to 85 per cent in 1992, to rise in 1993, helped by a better supply and demand balance and a successive rise in prices. It also said it would benefit from lower wood prices, a reduced energy tax, and the devaluation of the krona.

Olivetti shares slide as trading starts again

By Haig Simonian in Milan

SHARES in Olivetti, the Italian computers group, dropped by 17.1 per cent yesterday in response to Monday's announcement of a L903bn capital increase and losses of about L650bn ($404m) for 1992.

Olivetti's ordinary stock slid to L1,825 after the suspension in trading, imposed on Monday morning, was lifted, against L2,202 at Friday's close. The sharp fall reflected brokers' reaction to the highly dilutive rights issue and the poor outlook for the company in the short term.

Mr Corrado Passera, joint managing director, described the fall as "an automatic event" in the case of a deeply-discounted rights issue. He said the true measure of the transaction's success would be the price at which the shares eventually settle.

Shareholders will be offered six new ordinary shares, priced at a nominal L1,000 each, for every four shares, of whatever category, currently held. Alternatively, they may subscribe to at least half their rights in the form of new shares and the remainder in new six-year convertible bonds, which will be interchangeable with the new shares and pay interest of between 6 per cent and 8 per cent.

The deal received a hostile reaction from most brokers, who criticised the deep discount and dilution. "It's not often you get a rights issue where shareholders are offered more shares than they already have," said one.

The transaction has been accompanied by preliminary results from CIR, the listed holding company controlled by Mr Carlo De Benedetti, which in turn controls Olivetti, and by Mr De Benedetti's Cofide holding company.

CIR made a preliminary loss of L540bn in 1992, against a net profit of L49bn the previous year. Around L450bn of the loss stems from extraordinary factors linked to the difficulties at Olivetti and the need for one-off provisions at Cerus, the French holding company controlled by CIR.

The special provisions have been chiefly triggered by credit problems at Banque Duménil Leblé in France, particularly as regards lending to the depressed property sector. At parent company level, CIR's loss rose to L680bn from L469bn in 1991.

CIR's net debt surged to about L440bn from L41bn due to the effects of its losses, the increased lira value of foreign currency borrowing, and changes in the items consolidated in the group's accounts.

The group said almost all its subsidiaries, which include Valeo, the French car components concern, the Italian Sasib engineering group and the Espresso/Repubblica publisher, were expected to report improved results for 1992.

Separately, Cofide said it expected to make a net loss of about L290bn in 1992, against net earnings of L41bn the previous year. The company is to make a L112.7bn rights issue of new ordinary shares, priced at L1,000 each.

Tungsram fails to shine for GE

Nicholas Denton finds the US investment has yet to produce results

GENERAL Electric of the US paved the way for western investors in eastern Europe when it took over Hungary's Tungsram lighting maker in 1990. Relishing its coup at taking over one of the region's few industrial stars, GE ran advertisements boasting of being part of a "brilliant future."

Three years later, the brilliance remains a distant prospect. It is obscured by three annual losses at the Hungarian venture which have wiped out Tungsram's equity and prompted yesterday's announcement of a further Ft17bn ($195m) capital injection.

The infusion will take GE's investment in Hungary over $500m – far more than the US company envisaged when, in 1990, it broke the path for western investors in eastern Europe by paying $150m for an initial 50 per cent stake in Tungsram.

Tungsram's losses jumped 70 per cent to Ft9bn in 1992, on an unaudited international accounting basis, the largest in Hungarian corporate history.

There is little prospect of a swift improvement. Fresh capital will allow Tungsram to ease its international borrowings of $200m and interest burden. But GE forecast the unit would remain in the red this year.

GE says the 1994 target is to match the operating margins of Philips and Osram, the market leaders in European lighting. But the company refuses to make a forecast about a return to overall profitability for Tungsram.

"We've got a hill to climb here," admits Mr Charles Pieper, chief executive of GE Lighting Europe.

So what has gone wrong? GE said restructuring was to blame for the deterioration in the results. Cost inflation cancelled out the benefit of productivity growth of 14 per cent in 1992 which saved Ft3.5bn.

Tungsram took in roughly equal measure charges from its withdrawal from non-core businesses outside lightmaking, accelerated layoffs, a write-off of old, bad Russian debts and increased borrowing costs because of the build-up of losses and debt.

Tungsram has also been caught up in the economic crisis in eastern Europe. Its regional market has shrunk by 90 per cent with the disintegration of Comecon, the communist trading bloc, while the recession in Hungary has left domestic demand stagnant.

But, most painfully for an exporter like Tungsram, the Hungarian government has encouraged the Forint to appreciate in real terms to tame inflation.

Tungsram has been a prime mover within the Hungarian Association of International Companies, the multinational investors' lobby group, for accelerated devaluation. But no other western investor is as dependent on exports as GE is with Tungsram, and so it is difficult to mobilise support.

To cap it all, prices for lighting products in Tungsram's main market of western Europe, where it has a 6 per cent to 7 per cent share, have until recently been falling, depressed by recession and fierce competition from rivals Philips and Siemens's Osram.

The gloomy environment makes GE's move to recapitalise Tungsram, which will take the US company's investment from $350m to over $500m, all the more striking.

The infusion is a token of GE's commitment to Tungsram, say executives. GE points to its achievements of the last three years at Tungsram as the reasons for its continuing faith in the company's future.

Productivity has improved dramatically since GE took over. Sales have risen by half since 1989 to Ft31bn in 1992, while the number of employees has fallen 18,000 to 10,200. GE forecasts further improvement in productivity of 20 per cent in 1993 after 14 per cent growth last year.

GE has also hived off peripheral businesses, halved the number of levels in the hierarchy, and halved the turnround time between order and delivery. The new owners have also taken investment from 1 to 2 per cent of sales to over 5 per cent. GE has built a $30m greenfield plant in Nagykanizsa in western Hungary to concentrate worldwide production of compact fluorescent lamps.

Impressed with researchers at Tungsram, GE Lighting has established in Hungary four of the division's nine technology centres around the world.

GE has even overcome the initial cultural gap within the management, most notably appointing Hungarian Mr Miklos Csapody to head technology for the whole of GE Lighting Europe, which includes Thorn of the UK as well as Tungsram.

What could have been done better? "We could have gone faster," admits Mr Charles Pieper, chief executive officer of GE Lighting Europe. Now GE has pressed the accelerator pedal.

The company has put Mr Pieper in direct control of Tungsram and sidelined the former chief executive officer. He recently announced 900 additional job losses and a drive to reduce prices charged by suppliers.

Mr Pieper characterises as "aggressive patience" the attitude of Mr Jack Welch, the GE group's chief executive. GE can only hope that Tungsram's future is brilliant enough to be worth the wait.

Rautaruukki kept in red by currency losses

By Christopher Brown-Humes

RAUTARUUKKI, the Finnish steel group, cut pre-tax losses to FM524m ($86.46m) in 1992 from FM926m a year earlier, but for the second year running it will pay no dividend.

The group said a FM568m foreign exchange loss, following the markka devaluation, was the main reason it stayed in the red, but it also blamed higher interest payments and difficulties at its Transtech rolling stock subsidiary.

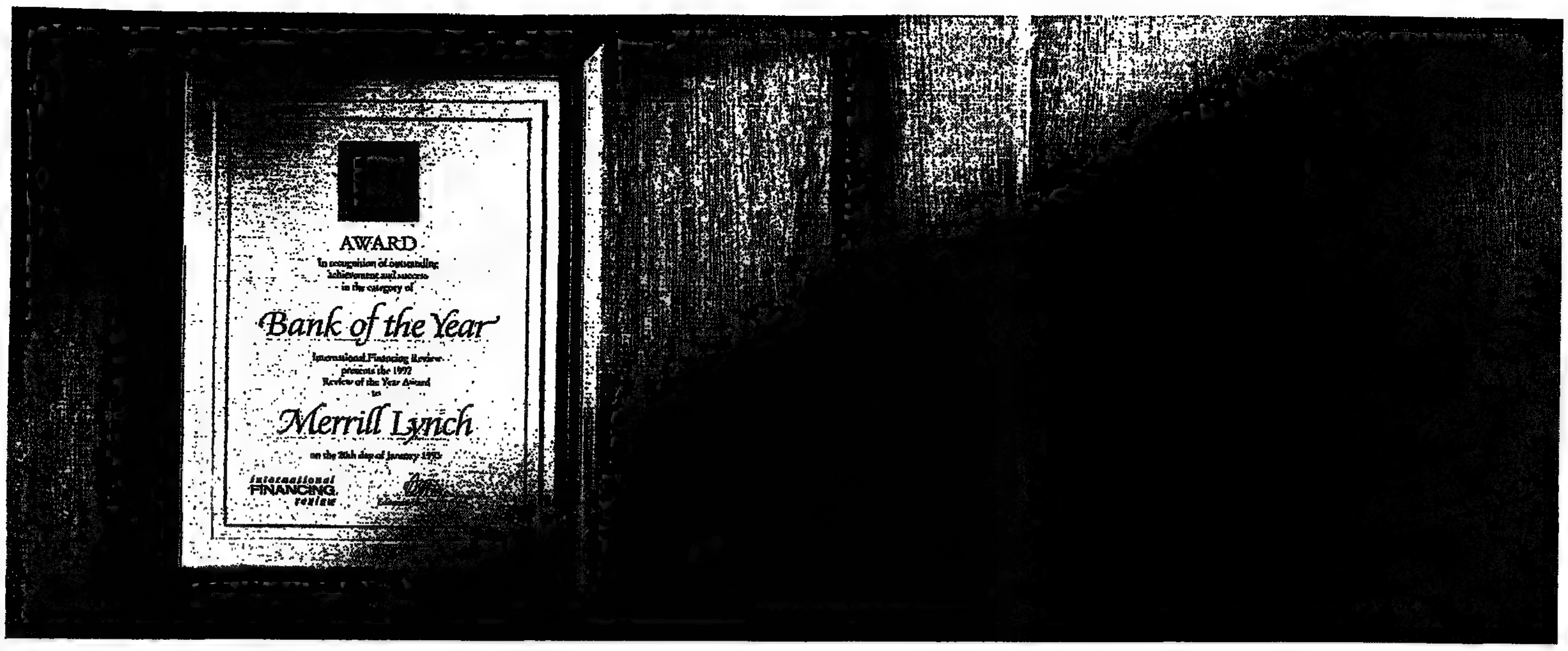
Operating profit before depreciation nearly doubled to FM1.06bn from FM541m, amounting to 16 per cent of turnover which eased to FM6.51bn from FM6.85bn.

SKF to improve delivery times

SKF, the world's leading roller bearing manufacturer, is restructuring its European distribution network to increase stock-handling efficiency and improve delivery times, writes Christopher Brown-Humes.

Under a three-year programme, it will cut the number of its European inventory points from 24 to five and build a new central distribution centre for the whole of Europe at Tongeren, in Belgium.

The company says the move will save at least SKr250m ($31.82m) a year.


AWARD
Bank of the Year
Merrill Lynch

Digital looks to PCs to rekindle the flame

US group aims to be one of the top five global suppliers by 1995, writes **Alan Cane**

Enrico Pesatori: former Zenith chief now heads Digital's PC unit

DIGITAL Equipment has seen better days. Apart from superfast microprocessors, the US group, once second only to International Business Machines, leads in hardly any area of the computing business.

Dr Juan Rada, economist, academic and, since May 1992, Digital's head of strategic alliances, explains his company's dilemma: "Digital has succeeded as a company when it has invented the future. Its people are not good followers; it is difficult to get them enthused when they are not leading."

The company failed to exploit the industry's two most important developments: the personal computer (PC) and the move to "open" or industry-standard systems.

In 1992, it lost money for the successive second year; $2.8bn, or 20 per cent of revenues, proportionally far worse than International Business Machines, whose $4.9bn loss, an industry record, amounted to only 8 per cent of sales.

Can Digital rekindle the spark that took it to number two among the world's information technology suppliers? Dr Rada believes that Digital's mistakes have presented it with a clean sheet in three important areas: management, organisation and technology.

● Management: Mr Robert Palmer took over as chairman from Digital's founder, Mr Kenneth Olsen, last year. He has since named a new senior management team, appointing several top managers from outside the company.

● Organisation: the company has been restructured into nine business units, each responsible for its financial performance.

● Technology: Digital is pinning its hopes on its Alpha microprocesssor chip, the first to process information 64 bits at a time.

Much will depend on whether Digital can catch industry leaders, such as IBM and Compaq in personal computers. Customers spend more on PCs than on any other computer hardware, but net profit margins are small. Success in PCs means combining high volumes with low prices and excellent distribution.

Digital is starting in PCs with a more or less clean sheet. It failed first time round because senior management did not take PCs seriously; now Mr Palmer has set the company the goal of becoming one of the top five global suppliers by 1995. The aim is to earn about 20 per cent of revenues – perhaps $2bn to $3bn – from PCs by that date.

To implement the strategy, Mr Palmer appointed Mr Enrico Pesatori as head of Digital's PC business unit. Mr Pesatori, 52, spent 21 years with Olivetti, Europe's largest PC manufacturer, before two years as chief executive of Zenith Data Systems, the PC arm of Groupe Bull of France.

Digital's PC strategy is a rag-bag of solutions. PCs for Europe are made by Olivetti; Intel builds machines for the US. Notebook PCs and some workstations are supplied by other manufacturers. In addition, Digital designs and manufactures its own PCs.

In spite of this haphazard approach, according to Mr Pesatori, Digital has moved from 22nd to ninth among global PC suppliers in the past 12 months. "Without a real strategy, but with some sound products, Digital has been able to achieve impressive results," he says.

His first job is to create a coherent PC strategy: "My goal is to have taken all the strategic decisions before the beginning of our fiscal year, in July. Implementing the strategy will take a further year."

That will involve the creation of a single product family, which will mean changes in the arrangements with Olivetti and with Intel. Mr Pesatori insists the relationships will be improved rather than severed: "We have to move to another level of co-operation to meet what is required today," he says. He also intends to appoint professional PC managers to oversee the all-important distribution strategy.

It could be argued that Digital has left it too late in PCs, but Mr Pesatori argues that the company's legacy gives it significant advantages.

First, there are its existing customers, which include most of the world's blue-chip companies. Less than 5 per cent use Digital PCs; by comparison, 48 per cent of IBM customers have at least one IBM PC. If Digital's penetration rate were raised to only 20 per cent, it would make a considerable difference.

That large customer base also makes the company attractive to dealers who would see a sales agreement with Digital as a passport to lucrative new business.

Second, the Digital brand name. Mr Pesatori accepts that names like IBM and Compaq can no longer command a premium, but notes that if products are priced sensibly there is advantage in owning a brand synonymous with quality.

Third, the company is an acknowledged technology leader; its Alpha chip will eventually be used in its PCs, giving customers a choice of 64-bit or 32-bit technology.

Digital faces an uphill battle, but Dr Rada believes the industry's turbulent state will be an advantage. He quotes a Spanish proverb: "When the river is turbulent, the fishermen are the winners."

Fox, ABC consider Mexican TV stakes

By Alan Friedman in New York

THE FOX television broadcasting subsidiary of Mr Rupert Murdoch's News Corporation is one of two US media groups that have held exploratory talks about participating in the privatisation of Mexican state television.

Capital Cities/ABC, the media group that owns ABC Television, is the other US company understood to be interested in taking an equity stake in a privatised Mexican television network.

Industry sources say Mr Murdoch visited Mexico City a few months ago to examine the possibility of becoming involved in the planned privatisation of two state-owned Mexican networks.

Although Fox declined to comment yesterday, company executives are believed to have held preliminary talks with private-sector Mexican media companies, including a consortium led by Multivision, a Mexican cable television company.

However, a decision by Fox is not imminent, according to executives familiar with the talks.

Capital Cities/ABC also declined to comment yesterday. However, it is understood the company has also held exploratory talks in Mexico City, having sent one of its top executives recently to discuss a possible joint venture with a private investment group being formed to participate in the privatisation bidding.

Industry sources say Mexican television would offer a series of natural tie-ins for US broadcasters.

Wang creditors back plan for reorganisation

By Louise Kehoe in San Francisco

WANG Laboratories, the US office computer systems company, yesterday filed a wide-ranging reorganisation plan aimed at enabling the company to emerge from Chapter 11 bankruptcy protection.

The plan, jointly sponsored by a committee representing unsecured creditors, would transfer ownership of the company to creditors through an issue of new stock. It also calls for substantial reductions in operations, with the loss of 3,300 jobs.

Secured and priority creditors would be paid in full, or as agreed by the parties. Unsecured creditors would be issued shares in the reorganised company and warrants would be issued to current shareholders. The plan had been endorsed by representatives of equity holders, Wang said.

Wang, an early leader in office computer systems, failed to keep pace with changes in the industry. It filed for bankruptcy protection last August.

"We have truly invented a new Wang," said Mr Joseph Tucci Wang, president and chief executive.

Wang would emerge from Chapter 11 free of a substantial portion of the structural burden and debt that had impeded the company's efforts to restructure and regain profitability, the company said.

Wang plans to close its manufacturing operations and focus on software and services. Corporate operations would be streamlined and the company would "dramatically reduce its infrastructure," Wang said.

"This plan allows Wang to capitalise upon its leadership in integrated imaging and office software and network integration and support services," said Mr C. Hall Swaim, counsel to the creditor's committee.

The "new Wang" does not intend to develop or manufacture open systems computers. Instead, it would resell computers manufactured by other companies – including International Business Machines, which formed an alliance with Wang two years ago, and Hewlett-Packard, which reached a joint marketing and development agreement with Wang two weeks ago.

Wang officials said the company expected to return to profitability in fiscal year 1994. For the current fiscal year, it anticipated revenues of around $1.25bn to $1.3bn, declining to about $1bn in 1994.

The job losses involved are higher than expected, however. Wang had more than 13,000 employees before it filed for protection, at which time it said it hoped to preserve 8,000 jobs. Yesterday, however, it announced it would reduce its workforce from 9,300 to 6,000.

Mellon Bank eyes disposals

MELLON Bank of the US is exploring the sale of three of its information services businesses, AP-DJ reports. The operations provide data processing and management information services for more than 200 banks, trust companies, thrift institutions and mortgage companies in the US.

Together, these businesses generated 1992 revenues of about $94m and employ about 940 people.

CS Holding confirms Volksbank takeover

By Ian Rodger in Zurich

CS HOLDING, parent company of the financial group built around Credit Suisse, has confirmed it will go ahead with its SFr1.6bn ($1.05bn) agreed takeover of Swiss Volksbank.

CS said that by the time of the expiry of its offer yesterday, 93 per cent of Volksbank shares had been tendered.

The takeover will enable CS to surpass Union Bank of Switzerland to become Switzerland's largest financial group in terms of assets.

The all-share offer, announced on January 6, has advanced smoothly. Volksbank, which tumbled into a SFr68m loss last year, had first to win shareholders' approval to convert itself from a co-operative into a joint stock company. In the event, the enabling resolution was passed without a murmur of dissent at an extraordinary general meeting last week.

Under Swiss law, the offer, on the basis of three new CS registered shares for every 10 Volksbank registered shares, must be extended for 10 banking days in order to enable the remaining Volksbank shareholders to take advantage of it.

CS said the new shares would be issued in mid-April.

Dow warns on first-quarter earnings

DOW Chemical said yesterday its first-quarter earnings would be lower than expected due to reduced earnings at Marion Merrell Dow, its prescription drugs subsidiary, agencies report. Dow has a 71 per cent stake in Marion Merrell.

The US chemical company said its first-quarter per-share net income could be about 25 cents below the 62 cents of a year ago. That figure was reached before one-time retiree healthcare charges. Including the charges, Dow lost $2.17 a share in the period.

Marion Merrell said its first-quarter earnings could be as much as 60 to 70 per cent below average analysts' expectations of 82 cents a share. For the first quarter ended March 31 1992, Marion Merrell reported net income of 60 cents a share.

Marion Merrell said the expected first-quarter decline was mainly due to sharply lower US sales of its major prescription products, compared with a the same period in the previous year.

Wolters Kluwer lifts dividend by 14%

By Ronald van de Krol in Amsterdam

WOLTERS Kluwer, the Dutch legal, tax and education publisher, yesterday reported a 21 per cent increase in 1992 net profit and announced a 14 per cent rise in its annual dividend.

Net profit rose to Fl 258m ($139m) from Fl 214m the year before, in spite of a slight decline in turnover to Fl 2.36bn from Fl 2.38bn.

Operating profit was up nearly 12 per cent at Fl 404m. Wolters Kluwer, which attributed the gain to its low sensitivity to the business cycle and the geographic apread of its activities in the US and Europe, said it planned to raise its dividend to Fl 1.32 fro Fl 1.16 in 1991.

However, the company also made unspecified provisions in its 1992 accounts for additional restructuring in the Netherlands and the UK.

For 1993, Wolters Kluwer is forecasting further rises in sales and profits.

INTERNATIONAL COMPANIES AND FINANCE

Improved sales, production push Santos to record

By Kevin Brown in Sydney

SANTOS, the Australian energy group, announced a 40 per cent increase in net profit to a record A$163m (US$116m) for the year to the end of December, on turnover up 5 per cent to A$690m.

However, the group said this figure was reduced to A$113m after abnormal losses of A$60m, mainly reflecting a A$27.5m write-down in the carrying value of US oil and gas reserves and a A$23m unrealised foreign exchange loss caused by the depreciation of the Australian dollar against the US dollar.

In the previous year, Santos recorded a net loss of A$111m year after abnormal losses of A$223m, including a A$154m write-down against unsuccessful exploration in permit areas in the Timor Sea, between Australia and Indonesia.

The group increased the final dividend by 1 cent a share to 11 cents, fully-franked, making a total of 21 cents, compared with 19 cents in the previous year. Santos shares closed 13 cents higher at A$3.32 on the Australian Stock Exchange.

Santos attributed the profit improvement to higher production and sales, lower financing costs caused by falling interest rates, higher depreciation charges following increased production, and an increase in the value of oil and gas stocks.

The group said its net operating cash-flow had risen 41 per cent to A$409m, which would enable it "to continue to capitalise on strategic opportunities which emerge in the Australian and international oil and gas markets".

In recent months, Santos has announced acquisitions totalling over A$338m, including a 19.9 per cent stake in Sagasco Holdings and the purchase of the upstream oil and gas interests of Australian Gas Light.

Santos said it intended to acquire further shares in Sagasco, with the "ultimate objective" of obtaining control, subject to a court challenge by the Trade Practices Commission, the competition regulator.

The group said it expected production to increase by 6.1 per cent to a record 36.7m barrels of oil equivalent in the current year, aided by the AGL purchase and development in the Cooper/Eromanga Basin in South Australia.

"Overall, Santos' total oil production from all regions in 1993 is forecast to be 10.7m barrels," the group said.

Hurricane claims cost GIO at least $15bn

By Kevin Brown

GIO Australia, the privatised Australian insurance group, yesterday blamed disappointing investment returns, hurricane claims and rationalisation costs for a disappointing net profit of A$43m (US$30.7m) for the six months to December.

GIO, which was floated by the New South Wales state government in July, said it made an operating profit of A$73m on turnover of A$990m. The group declared an initial interim dividend of 7 cents, fully-franked.

The group gave no comparative figures for last year's first half, when it was in government ownership. It reported a A$117m net profit for the 12 months to June, up 23 per cent on the previous year.

Mr Bill Jocelyn, managing director, said losses from Hurricane Andrew, which hit Florida last year, were estimated at between US$15bn and US$18bn, compared with an earlier estimate of US$8bn.

The result includes a loss of A$7m caused by hurricane-related claims against SIO, the Victorian state insurance office, which was acquired by GIO last year. GIO said the full cost of integrating SIO during the half was A$10.3m.

● Jennings, the Australian homebuilder, said its bankers would convert A$27m of bank debt into equity, on top of the A$63m converted into a 39 per cent equity stake last August, Reuter reports from Melbourne.

Jennings, 43 per cent owned by Fletcher Challenge, the New Zealand forestry and energy group, said the bankers would receive non-voting preference shares on the additional A$27m.

The company earlier reported attributable losses of A$23.05m for the six months to December 31, compared with losses of A$27.96m a year earlier. Net operating profits totalled A$181,000, down from A$3.73m. The company again paid no dividend.

Sumitomo plans to apply to set up securities arm

SUMITOMO Trust & Banking, the leading Japanese trust bank, plans to apply to set up a subsidiary to deal in securities in the year starting on April 1, Reuter reports from Tokyo.

The bank said the subsidiary would be capitalised at about Y10bn ($84m) and have some 30 staff.

Financial reforms allowing banks and brokerages to enter each other's business through subsidiaries take effect in April.

The securities businesses that a bank's subsidiaries will be allowed to engage in do not initially include stockbroking. Two Japanese long-term credit banks – the Industrial Bank of Japan and Long-Term Credit Bank of Japan – have already announced that they would apply to the ministry of finance to set up securities subsidiaries soon after the reforms took effect.

The Norinchukin Bank, the central body for agricultural financial institutions, has also said it is considering such a subsidiary.

But Japan's big commercial banks are unlikely to apply in 1993-94, banking analysts say.

Mr Sim blasts his way into the US market

Kieran Cooke charts the eventual success of a man whose dream machine was a flop

THEY call him the Bill Gates of Singapore. Mr Sim Wong Hoo started a company called Creative Technology just over 10 years ago. Computer skills, bright ideas and a lot of persistence have made Creative one of the stars of the computer scene, not just in Singapore but also in the US.

In August, Creative was listed on the Nasdaq over-the-counter exchange in the US. While not in the same league as Mr Gates's Microsoft, Mr Sim's company has taken one segment of the computer market by storm.

Creative's shares, offered at US$12, shot up to nearly $40 at one stage and now trade in the upper $20s range – valuing Creative at $1.2bn. In the second half of 1992, Creative reported net income of $32.6m on revenues of $129.7m – up from $9.1m and $33.3m respectively in the corresponding period in 1991.

Creative's main product is Sound Blaster, a hardware-software package which enables computers to play music, mimic a wide range of sounds, and synthesise the human voice. First marketed in the US in late 1989, nearly 3m Sound Blasters have now been sold.

Creative is run from the seventh floor of an industrial estate block in Singapore. A local workforce of 550 puts together more than 200,000 pieces of computer equipment each month.

Mr Sim, at 37, is a local hero. Singapore is well-known for its technocrats and its managers, but entrepreneurs like Mr Sim are thin on the ground in what is a tightly-regulated and controlled business environment.

"There were times when no one wanted to know us. Getting venture capital was impossible," he says. All that has changed. A Singapore state company has a 6.5 per cent share in Creative. Mr Sim and two friends who founded the company control 70 per cent.

Mr Sim studied electronics but has no formal computer training. After military service in Singapore, he worked as as assistant electronics engineer for a local oil company and found he enjoyed computer programming and design work.

"By the early 1980s I'd decided to set up my own business. I knew I was good at creating things but didn't really have any focus. I was also very shy, and business did not appeal to me."

An early foray into computer teaching turned sour when a partner ran off with the money. In 1981, Creative Technology was founded, mainly to carry out various software contracts in Singapore.

"We put an ad in a local newspaper 'We are very hungry – so call us.' Our initial capital was only S$10,000 (US$6,000)." Design work continued. By 1984, Creative had gathered enough expertise to design what was Singapore's first home-grown computer. Mr Sim insists he did not clone products.

"We wanted to make an original. Ours was the first computer which was able to 'talk' in Chinese." But it was not a success. Sales barely covered costs. Creative had no money for marketing.

The same thing happened to what Mr Sim calls the "dream machine" – another computer launched in 1986 which had both Chinese and English voices, plus graphics and a sound board.

"We thought the dream machine would sell like hot cakes. It didn't. It was ahead of its time. It had so many features that it took two hours just to do the sales pitch. People would ask us, 'why does your computer talk? or why does it have Chinese?' China might have been interested but then it had no money to buy such products. Locally we had very little support. So we had to start again."

Mr Sim and his colleagues made some radical decisions. "We threw away the voice and languages. Music is universal. We started selling computer sound boards – music for the masses. We found we could earn the same margin on a sound board as on a complete PC." With sounds for computer games, the Game Blaster became a popular product.

In 1988, Mr Sim left for the US. "That's where the computer market is. I told my family that if I did not sell 20,000 sound boards in the US I would not come back."

Penetrating the distribution system in the US is crucial. "I would beg distributors to give me their time. I kept knocking on doors. I was willing to add in all sorts of features or modify the sound boards for them."

Persistence paid off. At a computer exhibition in Las Vegas in late 1989, Creative was taking a trade order every three minutes. A year later, it was exporting 10,000 sound boards per month from Singapore.

Creative has several rivals, some of which, according to Mr Sim, have cloned Creative's products. Similar operations have started in Singapore. But Creative says it now has 60 per cent of a market which is growing by more than 30 per cent per year.

Creative has introduced other products, some of which it it trying to persuade PC manufacturers to incorporate into their machines, rather than selling them as accessories.

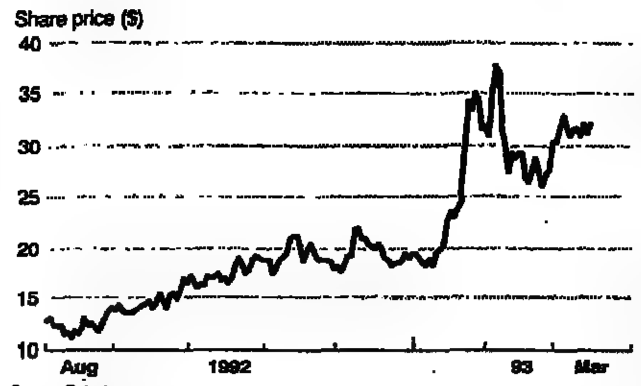
Creative has moved into multi-media computers, which combine pictures, text and high-quality sound. Creative now sells a multi-media package manufactured in conjunction with Matsushita of Japan which incorporates a Sound Blaster, a compact disc player adapted for the computer and software disks.

There is also a Video Blaster which allows a user to watch television on a computer.

Many of these products date back to Mr Sim's 1986 dream machine. That computer's functions, particularly its Chinese/English abilities, are now being resurrected with an eye to the fast-growing China market. Late last year, Creative formed a joint venture with a Beijing company. Creative's Chinese software is already being used in schools in Singapore.

Mr Sim has also moved closer to Mr Gates. Creative is now developing, along with Microsoft, various digital video software.

Creative Technology



Source: Datastream

Coles Myer sees scope for Australian acquisitions

COLES MYER, Australia's largest retailer, sees scope for increasing its market share by expanding its operations and through acquisitions, Reuter reports from Melbourne.

Mr Peter Bartels, chief executive, said: "There are at least a few percentage points to be added to our market shares in the not too distant future." Coles Myer has 17 per cent of the Australian retail market and has about A$15bn (US$10.7bn) in annual sales.

He said Coles Myer had plenty of scope for closing market gaps with acquisitions and there were many opportunities to open some of its businesses in states in which it was not represented.

The decision two weeks ago to open a chain of toy superstores was the first of the niche market opportunities the group would develop. "We see plenty of scope for new business initiatives in other areas and we are looking at a range of opportunities," he said.

Coles Myer would concentrate its business in Australia and he did not want to make promises of offshore expansion. He said growth plans for current businesses included the opening of new stores, refurbishment of existing stores, extending trading hours, development of store brands, reducing unwanted lines and installation of electronic sales systems.

Coles Myer was examining all its operations to see whether the group should be in them and whether their performance could be improved.

"Indeed, I think it is obvious to anyone who knows the company well that a new era is well and truly under way," Mr Bartels said. There was still work to be done after its half-year result unveiled recently, which showed a 4 per cent rise in net profit to A$236.6m in the 26 weeks to January 24.

Mr Bartels said the K mart discount chain was nowhere near its potential, and he wanted to improve contributions from supermarkets and department stores.

LEGAL NOTICES

Notice of Creditors' Meeting Under Section 48(2) of the Insolvency Act 1986
D D A LIMITED

NOTICE IS HEREBY GIVEN, pursuant to section 98 of the Insolvency Act 1986, that a Meeting of the Creditors of the above-named Company will be held at Harman House, 1 George Street, Uxbridge, Middlesex UB8 1QQ on 18 March 1993 at 11.00 am for the purposes mentioned in sections 99 to 101 of the said Act.

A list of the names and addresses of the Company's Creditors may be inspected free of charge at Harman House, 1 George Street, Uxbridge UB8 1QQ between 10.00 am and 5.00 pm on 17 March 1993, and Creditors wishing to vote at the meeting must (unless they are individual Creditors attending in person) lodge their proxies at Harman House, 1 George Street, Uxbridge UB8 1QQ no later than 12 noon on 17 March 1993.

Dated:
J M Iredale, Joint Liquidator

Notice of Appointment of Liquidator
Company Number: 2615261
D D A LIMITED

Nature of business: Employment Agency. Type of Liquidation: Creditors Address of Registered Office: Harman House, 1 George Street, Uxbridge, Middlesex UB8 1QQ. Liquidators Name and Address: John Martin Iredale, Harman House, 1 George Street, Uxbridge, Middlesex UB8 1QQ. Office Holder Number. 2104. Date of Appointment: 8 March 1993. By Whom Appointed: Members.

J.M. Iredale
Dated: 12 March 1993.

PERSONAL

Disappointment greets increase in UK supply

By Tracy Corrigan in London and Patrick Harverson in New York

LONG-DATED gilts fell by a point, while the short end of the market dropped half a point, following disappointment over Chancellor Norman Lamont's budget.

The main worry in the gilts market currently is supply, which has increased sharply due to the government's higher funding needs as a result of economic recession.

On this issue, there was nothing to cheer the market. The chancellor announced a public sector borrowing requirement for this year of £35bn, in line with expectations. But the £50bn figure given for the financial year 1993-94 was higher than dealers had hoped.

"The market was disappointed by the lack of action on next year's PSBR," said Mr Simon Briscoe, a gilts analyst at Greenwell Montagu, adding that some traders had been looking for a reduction to around £45bn.

The other big disappointment was that only a slight change was made to funding rules in the gilts market.

The chancellor announced that banks' and building societies' purchases of gilts will now count towards funding.

These have amounted to an estimated £4bn to £6bn this year, but could fall back again, and are not expected to make a substantial impact on gilts funding needs. Some traders had hoped that Treasury bills and foreign currency debt would be included.

An announcement by the Bank of England that the frequency of gilt auctions would be increased to roughly monthly intervals, and the size increased to between £2bn and £4bn per auction, was in line with expectations.

The rest of the news in the budget was bypassed by the gilts market. "There was neither good nor bad news on inflation, and growth forecasts were in line with expectations," one analyst said.

On Liffe, the June long gilts contract ended more than 1¼ points down at 105⅛.

GOVERNMENT BONDS

■ ELSEWHERE in Europe, bond markets opened lower as traders pondered the German solidarity package and its implications for German finances, but recovered somewhat to end only slightly lower on the day. German bond prices slipped ¼ point ahead of tomorrow's Bundesbank meeting, partially reversing gains made earlier in the week, while French bond prices edged down as the franc came under pressure.

■ US TREASURY prices were mixed in light trading yesterday, with prices at the short and intermediate end of the maturity range boosted by a weaker-than-expected housing report. By midday, the benchmark 30-year government bond was down ⅛ at 102$\frac{11}{32}$, yielding 6.898 per cent. At the short end of the market, the two-year note was slightly firmer, up $\frac{1}{32}$ at 99$\frac{31}{32}$, to yield 4.049 per cent.

Trading was relatively light, with most of the buying restricted to retail accounts.

Prices firmed in early trading after the Commerce Department reported that housing starts gained 2.5 per cent in February, a smaller rise than the market had been expecting. Although some analysts blamed the weak figures on the bad weather in late February, the data raised fresh doubts over the resilience of the economic recovery.

While shorter-dated prices edged higher, at the long end the market remained flat. Investors were reluctant to commit themselves at the long end ahead of today's consumer prices report for February.

■ THE Luxembourg Treasury is studying the possibility of issuing Luxembourg franc government bonds and creating a liquid secondary market in the paper, Reuter reports.

Unlike neighbouring Belgium, Luxembourg does not have a pressing need to issue debt paper as its debt is negligible by European Community standards. But issuing government debt paper, notably a benchmark bond, would enhance the market, the Luxembourg Treasury said.

FT FIXED INTEREST INDICES

	Mar 16	Mar 15	Mar 12	Mar 11	Mar 10	Year ago	High*	Low*
Govt Secs (UK)	97.23	97.74	97.69	97.59	97.86	86.40	98.04	85.11
Fixed Interest	113.68	113.61	113.48	113.73	113.76	99.50	113.83	97.15

Basis 100: Government Securities 15/10/26; Fixed Interest 1928.
* for 1992/93. Government Securities high since compilation: 127.40 (9/1/35), low 49.18 (3/1/75)
Fixed Interest high since compilation: 113.83 (8/3/93), low 50.53 (3/1/75)

GILT EDGED ACTIVITY

Indices*	Mar 15	Mar 12	Mar 11	Mar 10	Mar 9
Gilt Edged Bargains	128.4	122.0	130.7	126.7	131.1
5-Day average	127.8	130.3	132.8	131.3	134.1

* SE activity indices rebased 1974

BENCHMARK GOVERNMENT BONDS

		Coupon	Red Date	Price	Change	Yield	Week ago	Month ago
AUSTRALIA		10.000	10/02	115.3326	+0.217	7.71	7.86	8.40
BELGIUM		9.000	03/03	111.9750	-0.180	7.28	7.27	7.75
CANADA *		7.250	06/03	97.2000	-0.100	7.65	7.40	7.63
DENMARK		8.000	05/03	98.7000	-0.150	8.19	8.05	8.76
FRANCE	BTAN	8.000	05/98	103.7121	-0.130	7.10	7.20	7.91
	OAT	8.500	04/03	108.1400	-0.080	7.32	7.36	7.81
GERMANY		7.125	12/02	103.5500	-0.275	6.57	6.52	6.96
ITALY		12.000	05/02	98.9000	-0.070	12.95†	12.59	13.02
JAPAN	No 119	4.800	06/99	104.4792	+0.128	3.91	3.77	4.03
	No 145	5.500	03/02	109.8053	-0.117	4.01	3.93	4.22
NETHERLANDS		7.000	02/03	103.5600	-0.350	6.49	6.51	6.86
SPAIN		10.300	06/02	94.2530	-0.021	11.31	11.37	11.45
UK GILTS		7.250	03/98	102-27	-13/32	6.58	6.54	6.71
		8.000	06/03	93-10	-27/32	7.66	7.57	7.86
		9.000	10/08	106-31	-30/32	8.19	8.09	8.40
US TREASURY *		6.250	02/03	100-31	+10/32	6.11	5.94	6.40
		7.125	02/23	102-31	-4/32	6.89	6.78	6.77
ECU (French Govt)		8.000	04/03	103.5000	-0.150	7.49	7.51	8.13

London closing, *denotes New York morning session. Yields: Local market standard. † Gross annual yield (including withholding tax at 12.5 per cent payable by non-residents.)
Prices: US, UK in 32nds, others in decimal. Technical Data/ATLAS Price Sources

Japan's rush for corporate paper provokes reform

Barriers are coming down, writes Emiko Terazono

THE weakness of the Tokyo stock market and the reluctance of Japanese banks to lend have forced Japanese industry to turn to the domestic corporate bond market which, until recently, has been constrained by regulation, restrictive market practices and conservative investors.

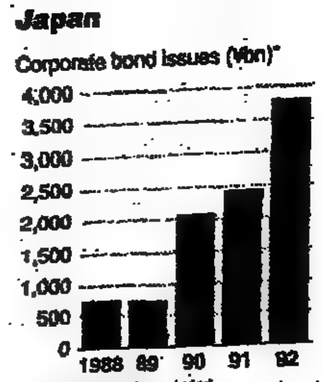
The pace of reform has been quickened by the rising number of companies dipping into the corporate bond market, says Mr Masaaki Nogawa, head of Nippon Telegraph and Telephone's finance department.

With redemptions of over Y10,000bn ($84.7bn) worth of equity-linked bonds expected in the year to March 1994, Y5,000bn is expected to be raised through the straight bond market.

But the surge in corporate bond issues has flushed out inefficiencies in the secondary market. Traders and issuers blame structural barriers. The lack of a centralised settlement system has limited trading, and reporting requirements imposed by the Bank of Japan on borrowing and lending bonds has restricted market-making by securities houses.

The lack of a proper government bond yield curve has given little incentive to use corporate bonds as hedging or arbitrage instruments against government bonds. Mr Nogawa points out that active trading on the government bond market is almost limited to the benchmark bond.

But the barriers also seem to stem from attitudes of market participants. For most institutional investors, corporate bonds are still instruments kept until maturity.



*Private placements excluded
Source: Bond Underwriters Association and industry estimates

The lack of interest among investors has resulted in a situation where the bid, or buying price, of one securities house would sometimes be placed higher than the offer, or the selling price, at another house.

For many Japanese brokers, which are not used to taking risks on their own capital, market-making is still a new concept. While eight houses – including Morgan Stanley, Goldman Sachs, Nomura Securities, Daiwa Securities, Nikko Securities and Yamaichi Securities – now quote two-way prices through trading screens, sparse investor interest has led to distorted prices.

Some issuers blame the inconsistent offering methods in the primary market for the lack of investor support. Mr Nogawa at NTT says pricing on the primary market is still not transparent.

Traditionally, domestic corporate bonds were issued using the so-called "proposal" method, under which underwriting is awarded to the securities house with the most competitive bid. Intense competition for underwriting contracts led to unrealistic offering prices. To break from such practices, NTT appointed Morgan Stanley Japan, along with Nomura, as lead managers of its issue. "We needed innovation," says Mr Nogawa.

NTT has since led the way in changing the market by gaining approval for trading on the secondary market in the offering period. Former practice required investors to hold bonds until the offering period was over, leaving them vulnerable to market movements.

From April, the ministry of finance will remove other barriers deterring companies from the domestic bond market.

Limits on the amount that can be issued are due to be eliminated. Also, the commission-bank system, under which every issue needs a commercial bank acting as an agent representing investors, will be scaled back. Companies say the ministry's move is a start, but it will probably take further time for the ministry to address other issues.

In April there will also be an initial easing of barriers between the banking and securities industries. Securities houses are bracing themselves for the entrance into the corporate bond market of affiliates of long-term credit banks, such as IBJ. Mr Mikio Fujii, of Nomura's fixed-income department, puts on a brave face, saying the increase of business will activate the market.

But an official at a leading US house is pessimistic. "If the banks go for market share, as they have in the past, the market could collapse," he says.

ADB launches yen-denominated 'dragon' issue

By Antonia Sharpe

THE Asian Development Bank (ADB) yesterday launched its first yen-denominated bond issue in the so-called "dragon bond" market which is targeted at non-Japanese investors in Asia.

Daiwa Singapore, lead manager, said the Y30bn five-year issue was priced at 99.55 with a 4 per cent coupon. The bonds were priced to yield 32 basis points above the 106th Japanese government bond, also a five-year issue. The bonds will be listed in Singapore, Taiwan and Hong Kong.

The dragon bond market has been pioneered by the ADB to develop Asia's capital markets.

Investors spend a day on the sidelines

By Antonia Sharpe

THERE were few new issues in the international bond market yesterday as investors retreated to the sidelines ahead of the UK budget and the Bundesbank's council meeting tomorrow.

The African Development Bank is expected to launch a $500m Eurobond issue in the next few days, via Goldman Sachs and Lehman Brothers.

INTERNATIONAL BONDS

Otherwise, syndicate managers said that it was unlikely that there would be many more new issues this week.

Two foreign borrowers, the Bank for Dutch Municipalities, and SNCF, the French railway, tapped the Swiss franc market for SFr150m and SFr300m respectively.

Both issues have a maturity of eight years, which syndicate managers said suited the requirements of the borrowers and met demand from investors for paper in a relatively neglected area of the Swiss yield curve.

They noted that most of the recent Swiss franc issues had been either in the five-year or 10-year area, but that there had not been much in between. Both issues were trading within fees in mid-afternoon.

Meanwhile, KfW International Finance's DM1.5bn 10-year Eurobond issue, launched on Monday, was priced at 99.30 to yield 15 basis points over the 7⅛ per cent bund due December 2003, in the middle of the indicated range of 14 to 16 basis points.

The spread was broadly unchanged when the bonds were freed to trade.

But, as the market had expected, the yield spread on Denmark's aggressively-priced five-year Eurobond issue widened to around 15 basis points over the series 105 of medium-term German government bonds from 10 basis points at the launch on Monday.

NEW INTERNATIONAL BOND ISSUES

Borrower	Amount m.	Coupon %	Price	Maturity	Fees	Book runner
SWISS FRANCS						
SNCF	300	4.5	101.375	Apr.2001	-	UBS
Bank for Dutch Municipalities	150	4.75	102.75	May.2001	-	Swiss Bank Corp.
LUXEMBOURG FRANCS						
Arbed	1bn	8.125	102	Apr.2000	1.875/1.625	BIL

Final terms and non-callable.

OSE anticipates Y240m loss for year

THE Osaka Securities Exchange (OSE) expects to report a Y240m ($2m) loss for the year ending March, after a Y1m profit a year earlier, Reuter reports from Osaka.

It will be the exchange's first loss in 10 years.

The OSE blamed slow stock futures trading following restrictions and the overall decline in stock markets.

Members' fees, including commissions to the OSE, is expected to fall to Y3.2bn in the six months ending March, from Y4.6bn in the first half of the year.

Revenue from members' fees for the coming year is projected to decline 18.7 per cent to Y6.35bn.

The exchange is also having to face the cost of developing a new trade-weighted average stock futures contract, scheduled to replace the average Nikkei 225 next year.

The development cost for the first year is Y1.33bn in the budget for the next year, which begins on April 1, the OSE said.

MARKET STATISTICS

FT/ISMA INTERNATIONAL BOND SERVICE

Listed are the latest international bonds for which there is an adequate secondary market. Latest prices at 8:35 pm on March 16

U.S. DOLLAR STRAIGHTS	Issued	Bid	Offer	Chg. day	Yield
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

OTHER STRAIGHTS	Issued	Bid	Offer	Chg. day	Yield
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

DEUTSCHE MARK STRAIGHTS; SWISS FRANC STRAIGHTS; YEN STRAIGHTS; FLOATING RATE NOTES; CONVERTIBLE BONDS: [illegible]

STRAIGHT BONDS: The yield is the yield to redemption of the bid-price; the amount issued is in millions of currency units. Chg. day=Change on day.
FLOATING RATE NOTES: Denominated in dollars unless otherwise indicated. Coupon shown is minimum. Spread=Margin above six-month offered rate (three-month §above mean rate) for US dollars. C.cpn=The current coupon.
CONVERTIBLE BONDS: Denominated in dollars unless otherwise indicated. Cnv. price=Nominal amount of bond per share expressed in currency of share at conversion rate fixed at issue. Prem=Percentage premium of the current effective price of acquiring shares via the bond over the most recent price of the shares.

RISES AND FALLS YESTERDAY

	Rises	Falls	Same
British Funds	0	71	6
Other Fixed Interest	0	4	11
Commercial, Industrial	300	299	855
Financial & Property	131	128	537
Oil & Gas	34	13	36
Plantations	0	1	7
Mines	34	49	54
Others	24	63	40
Totals	523	588	1,546

LONDON RECENT ISSUES

EQUITIES

Issue Price p	Amount Paid up	Latest Renunc. Date	1993 High	1993 Low	Stock	Closing Price	+or-	Net Div.	Times Cov'd	Gross Yield	P/E Ratio
–	F.P.	–	½	½	Anglo Utd Warrants	½		–	–	–	–
100	F.P.	–	103	98	For & Col US Smllr Co's	102½		–	–	–	–
–	F.P.	–	44	30	Do. Warrants	41		–	–	–	–
51	F.P.	–	76	52	Intl. Food Machinery	76	+1	–	–	–	–
–	F.P.	–	95	91	Waterfla Intl Units	95		10.4	–	4.8	–
§210	F.P.	–	280	262	Motor World	278		86.3	2.5	[illegible]	17.3
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

FIXED INTEREST STOCKS

Issue Price £	Amount Paid up	Latest Renunc. Date	1993 High	1993 Low	Stock	Closing Price £	+or-
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

RIGHTS OFFERS

Issue Price p	Amount Paid up	Latest Renunc. Date	1993 High	1993 Low	Stock	Closing Price p	+or-
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
60	nil	13/4	20pm	10½pm	Trafalgar House	12½pm	–½
95	nil	23/4	35pm	22pm	Vickers	35pm	+1
45	nil	23/4	12pm	8pm	WPP	8pm	–½
16	nil	2/4	4pm	4pm	Wiltshire Group	4pm	–½
330	nil	18/5	57pm	34pm	Yorkshire Chemicals	[illegible]	–2

‡ Figures based on prospectus estimates. ‡‡ Dividend and yield based on prospectus or other official estimates for 1993. L Estimated annualised dividend, cover and p/e based on latest annual earnings. M Dividend and yield based on prospectus or other official estimates for 1993-94. R Forecast annualised dividend, cover and p/e ratio based on prospectus or other official estimates. W Pro Forma figures. § Issued by way of rights. ‡ Introduction. § Placing price. ‡‡ Reintroduction. ¶ Unlisted securities market. ¶ Issued in connection with reorganisation, merger or takeover. pm Price at a premium. ¶ Units comprising 1 ord. and 1 zero pref. share.

TRADITIONAL OPTIONS

● First Dealings March 8
● Last Dealings March 19
● Last Declarations June 17
● For settlement June 28

3-month call rate indications are shown in Saturday editions.

Calls in AMEC, Amstrad, Arcon Intl., ASDA, BM, Cupid, Ferranti, Gestetner, Kwik-Fit, Premier Cons., Ramco Oil, Rose Group and Wembley. Put in Amstrad. Doubles in ADT, Aran Energy, ASDA, Costain, Ferranti and Premier Cons.

FT-SE ACTUARIES INDICES

The FT-SE 100, FT-SE Mid 250 and FT-SE Actuaries 350 Indices and the FT-SE Actuaries Industry Baskets are calculated by The International Stock Exchange of the United Kingdom and Republic of Ireland Limited.

The FT-Actuaries All-Share Index is calculated by The Financial Times Limited in conjunction with the Institute of Actuaries and the Faculty of Actuaries.

The FT-SE 100, FT-SE Mid 250 and FT-SE Actuaries 350 indices, the FT-SE Actuaries Industry Baskets and the FT-Actuaries All-Share Index are members of the FT-SE Actuaries Share Indices series which are calculated in accordance with a standard set of ground rules established by The Financial Times Limited and London Stock Exchange in conjunction with the Institute of Actuaries and the Faculty of Actuaries.

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LIFFE EQUITY OPTIONS

Option		Calls			Puts		
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

March 16 Total Contracts 23,072
Calls 12,868 Puts 10,204
FT-SE Index Calls 3,481 Puts 4,925
Euro FT-SE Calls 2,201 Puts 185
*Underlying security price. † Long dated expiry months.
Premiums shown are based on closing offer prices.

FT-ACTUARIES FIXED INTEREST INDICES

PRICE INDICES

		Tue Mar 16	Day's change %	Mon Mar 15	Accrued interest	xd adj. 1993 to date
	British Government					
1	Up to 5 years (24)	129.81	-0.27	130.15	2.24	1.98
2	5-15 years (22)	149.38	-0.65	150.36	1.53	3.52
3	Over 15 years (8)	157.97	-0.80	159.24	0.83	3.10
4	Irredeemables (6)	181.73	-0.12	181.94	2.78	1.48
5	All stocks (60)	145.50	-0.54	146.30	1.71	2.90
	Index-Linked					
6	Up to 5 years (2)	183.60	-0.19	183.96	0.28	1.51
7	Over 5 years (12)	171.93	-0.61	172.98	0.60	1.23
8	All stocks (14)	172.34	-0.55	173.30	0.56	1.27
9	Debs & Loans (67)	129.72	+0.13	129.54	2.09	2.45

AVERAGE GROSS REDEMPTION YIELDS

			Tue Mar 16	Mon Mar 15	Year ago (approx.)
	British Government				
1	Low Coupons (0%-7¾%)	5 years	6.55	6.45	9.26
2		15 years	7.69	7.60	9.48
3		20 years	7.96	7.89	9.48
4	Medium Coupons (8%-10¾%)	5 years	6.85	6.73	9.87
5		15 years	8.20	8.10	9.56
6		20 years	8.38	8.28	9.51
7	High Coupons (11%-)	5 years	7.03	6.91	10.09
8		15 years	8.44	8.32	9.69
9		20 years	8.52	8.40	9.61
10	Irredeemables (Flat Yield)		8.39	8.38	9.70
	Index-Linked				
11	Inflation rate 5%	Up to 5yrs.	2.10	2.03	3.66
12	Inflation rate 5%	Over 5 yrs.	3.49	3.44	4.47
13	Inflation rate 10%	Up to 5 yrs.	1.30	1.23	3.03
14	Inflation rate 10%	Over 5 yrs.	3.32	3.27	4.30
15	Debs & Loans	5 years	8.41	8.42	11.13
16		15 years	9.18	9.20	10.82
17		25 years	9.43	9.45	10.64

Recession and loss of contract lead to profit fall and dividend cut

Simon shows decline to £5.3m

By Angus Foster

SIMON Engineering, overshadowed by dividend worries for more than a year, yesterday passed its final after announcing a steep fall in profits.

Pre-tax profits fell from £18.3m to £5.32m in the year to December 31, mainly due to recession and losses on an important paper engineering contract. The figures, which were below market expectations, were described as "extremely poor" by Mr Roy Roberts, chairman. Mr Roberts announced he would retire at the end of this year.

The shares, which collapsed last year from 301p to a low of 70p, were down 21p early yesterday, but rallied to close 1p up on the day at 114p.

Turnover fell slightly to £487.6m (£514.5m), mainly because of reduced sales in process engineering. The paper contract, at Jacksonville, Florida, led to a £5m loss for the year and a £3.3m write back of profits taken in 1991.

The powered access equipment division was affected by falling sales and margins and trading profits fell from £5m to £3.1m. Mr Brian Kemp, chief executive, said there were signs of improvement in the US, but the UK remained weak.

Simon sold most of its environmental division earlier this year, leading to a £5.39m extraordinary charge. The company did not apply FRS 3 because it said the sale of the division was non-recurring.

A fall in advance receipts from process engineering, and an increase in US borrowings because of exchange translations, meant net debt increased from £37m to £101.2m. Gearing more than doubled to 87 per cent. However, the sale of the environmental division has reduced gearing since the year-end to about 65 per cent.

Earnings fell to 2.6p (12.5p) per share. Following the extraordinary charge, and an interim dividend of 5p – last year's total distribution was 15.7p including a final of 10.7p – there was a transfer from reserves of £7.83m (£11.1m).

COMMENT

Simon's shareholders must be wondering if anything else can go wrong. After being assured by the chairman 12 months ago that this year's dividend would be covered, yesterday's cut suggests over-optimism or misjudgement of the company's markets. The severity of recession is only a partial excuse, accounting for the downturns in the construction and offshore sectors, while the loss on the Jacksonville contract is harder to justify and could scarcely have come at a worse time. Simon remains cautious about this year and is not forecasting any growth in its markets. Although access sales in the US should pick up, Simon needs its process engineering advance receipts to improve and reduce borrowings. Forecast profits this year of £12m put the shares on more than 18 times. Probably the only prop under the shares at this level is the group's perceived vulnerability to takeover.

Rate cuts undermine Wimpey

By Andrew Taylor, Construction Correspondent

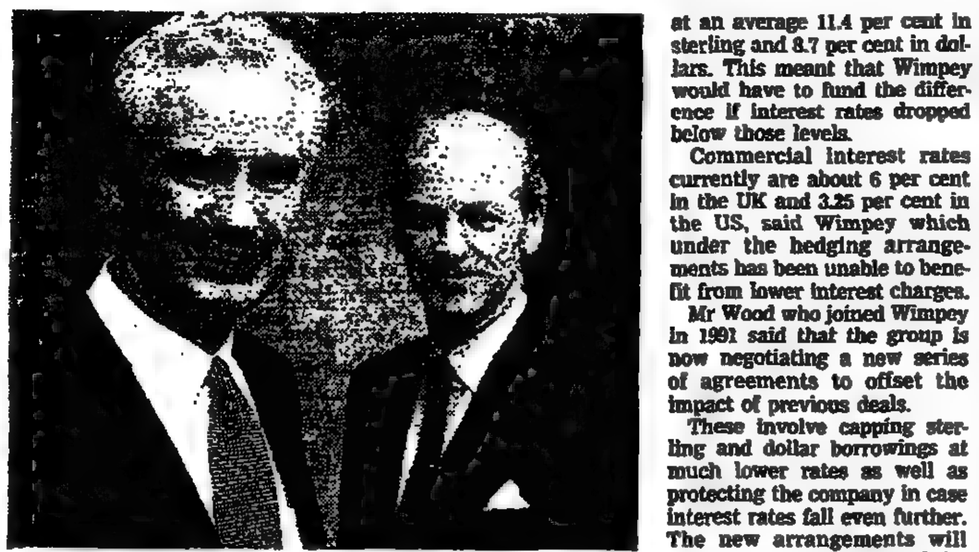
WIMPEY, one of Britain's biggest construction groups revealed yesterday how sharp falls in UK and US interest rates had undermined carefully laid plans to restrict the cost of borrowings in the 1990s.

The group, like many large businesses, had entered into a series of hedging deals to limit rises in borrowing charges if international interest rates increased.

In fact UK and US interest rates have fallen and yesterday Wimpey announced provisions of £25.5m to cover the cost of unwinding those banking agreements.

Mr Roger Wood, finance director, said: "The company in the late 1980s was concerned it would be squeezed between falling house prices and sales in the UK and US and rising international interest rates and entered into a series of hedging deals."

In the three years from 1988 to 1990, these saved Wimpey about £11m. By last year interest rates had moved against the group costing it an additional £7m in interest charges in 1992.



By Trevor Humphries

Mr Joe Dwyer (left), chief executive, with Roger Wood: entered into hedging deals to limit borrowing costs.

The mechanisms used by Wimpey to protect itself from rising interest rates involved a a complex package of interest rate caps, swaps and collars.

These firstly put a ceiling on interest charges by requiring banks to pay any excess above an agreed fixed interest rate. In the case of the company's sterling debt the cap was fixed at about an average of 12 per cent. For dollar debt the cap was triggered at about 10.5 per cent.

Wimpey also entered into swaps and collars to fix rates at an average 11.4 per cent in sterling and 8.7 per cent in dollars. This meant that Wimpey would have to fund the difference if interest rates dropped below those levels.

Commercial interest rates currently are about 6 per cent in the UK and 3.25 per cent in the US, said Wimpey which under the hedging arrangements has been unable to benefit from lower interest charges.

Mr Wood who joined Wimpey in 1991 said that the group is now negotiating a new series of agreements to offset the impact of previous deals.

These involve capping sterling and dollar borrowings at much lower rates as well as protecting the company in case interest rates fall even further. The new arrangements will affect up to 40 per cent of the group's borrowings.

The provisions are to cover the difference between the cost of the new safety net and the original hedging arrangements.

The group estimates that it will save £8m in interest charges in the current year and £5m in 1994 as a result of its provisions on the former hedging arrangements.

Graseby to raise $25m via US flotation

By Richard Gourlay

GRASEBY, the environmental monitoring and medical equipment company, yesterday said it will float its environmental business in the US on Nasdaq, raising about $25m (£17m) but retaining control.

The move is designed to strengthen the balance sheet by reducing debt, which will allow the group to finance further growth of its environmental and product monitoring and its medical businesses.

The company also announced yesterday a sharp drop in profits before tax from £7.5m to £1m for 1992, but the dividend is held at 10.9p, with a final of 7.6p.

The company said that further development had been hampered not only by high debt, but also by the level of the above average dividend pay-out, a hangover from the days when Cambridge Electronics – Graseby before the name change – was rated as a yield stock.

The newly floated company, Graseby Andersen, will not pay a dividend, putting some pressure on the parent to meet its dividend bill.

Earnings per share fell from 8.7p to 1.3p, after an above-the-line £1.5m profit on the sale of properties and a loss of £5.8m on sale and disclosure of discontinued operations. This was in line with the new FRS 3 standard.

Sales fell from £109.1m to £102.6m, and operating profit on continuing operations was £9.5m (£12.4m). Operationally the medical, instruments and environmental businesses performed well, but defence profits fell from £6m to £300,000.

Graseby Andersen had sales of $39m and operating profits of $4.7m in 1992. It will be floated with Graseby Specac, the optical company.

Mr John Jackson, Graseby chairman, said the flotation would solve the balance sheet problems and would also increase motivation for the US management.

Graseby Andersen should benefit from changes to the US environmental programme once the Clinton administration settles down.

Because of a lack of distributable reserves in the US, the former Tace businesses – broadly the Graseby Andersen business being floated – was not paying dividends to the group.

African sales surge behind rise at Paterson Zochonis

By Hugh Carnegy

STRONG GROWTH in Africa, which outstripped adverse currency movements, drove up pre-tax profits at Paterson Zochonis, the soap and detergents group, by 11.3 per cent from £11.6m to £12.9m in the six months to November 30.

Associates' contributions increased by 68 per cent to £2.03m (£1.21m) thanks to a surge in sales in Nigeria – the group's biggest African market – and in Kenya and Ghana. Core operating profits were ahead slightly at £6.36m (£6.15m).

Mr Alan Whittaker, finance director, said the African growth was strong enough to offset the effect of a decline in the value of the Nigerian naira which has repeatedly held back group profits in recent years.

The weakness of sterling actually yielded a rare exchange rate benefit in the latter part of last year, Mr Whittaker said, but this had since been reversed by a 20 per cent tumble in the naira's value against the pound in the last two months.

He expected full year profits to be slightly ahead of last year's £26.6m.

Paterson – best known for its Cussons range of soap and toiletries – said there was no recurrence of the boost it received in the second half of last year when the Nigerian authorities settled £7.3m in outstanding debts to the company.

Nor did it anticipate any further settlement in the second half this year. Paterson originally set aside £10m to cover unpaid debts.

First half turnover rose 7 per cent to £121.8m (£113.8m). Mr Whittaker said Paterson retained its 20 per cent UK soap market share.

Investment income was up from £7.4m to £7.87m, reflecting Paterson's continued accumulation of a large cash hoard, which Mr Whittaker said stood at £160m.

Earnings per share increased from 14.22p to 16.24p. The interim dividend is raised to 2.35p (2.25p).

White knight moves in for Brabant with £9.6m offer

By Peggy Hollinger

BRABANT Resources, the USM-quoted oil and gas explorer which has been fighting a paper bid from fellow resource company Aberdeen Petroleum, yesterday threw itself into the arms of a North American white knight in a last ditch effort to avoid a hostile takeover.

The board has recommended a 58p per share cash offer from Houston-based Energy Development Corporation, a subsidiary of a New Jersey public utility, valuing Brabant at £9.6m.

The price compares with Brabant's flotation price of 155p in October 1990. If the EDC offer succeeds, Brabant will withdraw from the USM.

Aberdeen, which itself is battling a hostile bid from Pittencrieff, the natural resources and telecommunications group, indicated yesterday that it intended to take up the EDC offer. Mr David Hooker, Aberdeen's managing director, said the company would make a £500,000 profit after "transaction-related expenses".

The EDC deal was agreed late Monday night as it became apparent that shareholders representing more than 40 per cent of Brabant were not supportive.

Mr Nicholas Gay, finance director, said that as recently as Wednesday, Brabant had been confident of victory in its battle against Aberdeen. However on Thursday, a New York arbitrage firm had managed to buy some 12.5 per cent of Brabant's shares from small shareholders.

Towards the end of the week it was also discovered that one of Brabant's largest institutional investors was anxious to dispose of its stake.

Mr Gay said that after these events – and taking into account the 21 per cent either held by or pledged to Aberdeen it became apparent that Brabant would be very vulnerable even if Aberdeen's bid failed.

EDC, which is being advised by Charterhouse, said it had received irrevocable undertakings to accept the offer representing 18.94 per cent of Brabant.

Margins improve as Scholes expands 45%

By Catherine Milton

SCHOLES, the electrical installation materials group, lifted pre-tax profits by 45 per cent on almost flat turnover of £29.7m in the half year ended December 1992.

The group said it had achieved the improvement to £1.33m (£916,000) through a reduction in operating costs and working capital. Operating profits improved to £1.63m (£1.25m) and margins rose to 5.49 per cent (4.23 per cent).

The results were calculated in accordance with accounting standard FRS 3 with 1991 results restated.

The interim dividend is maintained at 1.6p. Earnings per share rose 36 per cent to 2.37p (1.74p).

Net borrowings fell to £2.25m (£5.07m) and gearing dropped to 9 per cent (22 per cent).

The group said borrowings had fallen mainly because it had reduced the number of weeks it carries stocks, but also because of scrutiny of capital spending.

Mr Bill Riches, chairman, said: "We have not put a squeeze on capital expenditure, but we are scrutinising applications from the companies very carefully."

Hi-Tec directors stand down

By Angus Foster

Hi-Tec Sports, the sports shoe and leisure wear company, has announced the resignation of its two non-executive directors, only weeks after the two men joined.

Hi-Tec said Sir Michael Edwardes, former chairman of British Leyland, and Mr Richard Fenhalls, chief executive of Henry Ansbacher, were resigning immediately. No reason for their departure was given, and neither could be reached for comment.

However, it is understood they disagreed with the way Hi-Tec was being managed, especially since the company announced an interim loss of £2.84m last October. Mr Frank van Wezel, chairman, was unavailable for comment.

DIVIDENDS ANNOUNCED

		Current payment	Date of payment	Corres - ponding dividend	Total for year	Total last year
Ardagh	int	0.725♣	Apr 15	0.725	-	3.115
Attwoods	int	1.75	Aug 2	1.75	-	5
Cala	int	0.75	May 7	1.15	-	2.3
Dartmoor Invest	int	2.7	Apr 30	2.6	-	11.2
Graseby	fin	7.6	June 23	7.6	10.9	10.9
Hall Engineering	fin	5.34	May 7	5.34	8.64	8.64
Hampden §	fin	0.8	June 18	1.8	1	2
Johnson Cleaners	fin	18.7	May 4	18.7	25.7	25.7
Law Debenture	fin	12	May 1	11.5	18.25	17.5
Lionheart	fin	nil	-	0.3	0.2	0.3
Pat Zochonis	int	2.35	May 6	2.25	-	11.45
River & Merc Am	fin	2.4	May 19	2.4	7.8	7.8
Scholes	int	1.6	May 10	1.6	-	5
Simon Eng	fin	nil	-	10.7	5	15.7
Wimpey (George)	fin	3.25	May 7	6.5	5.25	10.5

Dividends shown pence per share net except where otherwise stated. †On increased capital. §USM stock. ♣Irish pence.

BOARD MEETINGS

The following companies have notified dates of board meetings to the Stock Exchange. Such meetings are usually held for the purpose of considering dividends. Official indications are not available as to whether the dividends are interims or finals and the subdivisions shown below are based mainly on last year's timetables.

TODAY

Interims- Dunlop, Golden Hope Plantations.

Finals- Avonside, Bowthorpe, British Building & Engineering Appliances, British Mohair, Celestion, Chieftain, Daniels (S), Expamet, Fisher (James), Plantsbrook, Portals, Premier Cons Oilfields, Singapore Para Rubber Estates, Spandex, Thomson, Try, WSR.

FUTURE DATES

Interims-	
Barr & Wallace Arnold Tst	Mar. 23
Frogmore Estates	Mar. 22
Trace Computers	Mar 19
Finals-	
Breedon	Mar. 25
British Alcan Aluminium	Mar. 25
HTV	Mar. 26
Lambert Howarth	Mar. 24
Linread	Mar. 29
Magnolia	Apr 7
Martin Intl	Apr. 7
Moorfield Estates	Mar 25
Ocean Group	Mar 31
Richardsons Westgarth	Mar 24
Severn Trent	Jun 17
TLS Range	Apr. 1

COMPANY NEWS: UK

Inchcape makes £19.2m Swiss buy

By Andrew Bolger

INCHCAPE, the motor and business services group, has acquired control of Switzerland's exclusive distributor of Daihatsu, Maserati and Lotus vehicles, in a £19.2m deal.

It has bought a 90 per cent stake in Reverberi for £9.4m and will also assume responsibility for the private company's borrowings of £9.8m.

Reverberi, which will be managed by TKM, Inchcape's motors subsidiary, is based near Sion and has represented Daihatsu in Switzerland since 1976. Last year it sold 1,000 Daihatsus, and about 40 Maserati and Lotus vehicles.

Mr Reg Heath, chief executive of TKM and an Inchcape director, said this was the eighth new import and distribution business Inchcape had acquired since it bought TKM for £382m a year ago.

He said: "Inchcape is already the exclusive importer and distributor of Daihatsu vehicles in the UK, Belgium and the Irish Republic, and this acquisition marks a significant strengthening of our relationship with this manufacturer."

Hall hit by rationalisation

By Andrew Baxter

HALL Engineering (Holdings), the steel stockholding, construction products and automotive engineering group, yesterday announced a £21m "breakthrough" order in Germany and virtually unchanged profits for 1992, before exceptionals, of £5.6m.

However, a £1.84m exceptional item for rationalisation at Hall & Pickles and British Reinforced Concrete Engineering left the pre-tax line at £3.73m (£5.07m). Group turnover fell 8 per cent to £135.7m.

Mr Richard Hall, chairman, said conditions remained depressed, causing worsening results from steel reinforcement and metal stockholding where profits fell by £800,000 and £1m respectively.

Profits from associated companies improved from £5m to £6.8m. In particular, Mr Hall said the 50 per cent-owned Singapore reinforcing steel, roofing and cladding businesses were "going like a rocket."

Engineering profits dropped by £1.3m, with fewer automation contracts at Stadco being completed. But Mr Hall said he was delighted to announce that Stadco's automation division had won a £21m contract from Audi in Germany.

The order is a record for Stadco. It furthers its ambitions to move to "a slightly higher rung" in the automotive manufacturing equipment sector according to Mr Brian Hinkins, group managing director. The continuing predominance of profit from overseas led to a further build-up of ACT in the UK – and the ACT write-off of £1.8m is higher than previously expected. The effective tax rate last year was 74 per cent, but Hall estimates the rate this year will be 37.5 per cent.

A total tax charge of £2.76m, and a £1.37m extraordinary charge due mainly to the decision to close steelmaking operations in South Africa, produced a net loss for the year of £408,000 (£3.56m).

Earnings per share dipped from 11.34p to 3.05p, while the dividend is maintained at 8.64p with a same-again final of 5.34p.

Mr Hall said the current year has had a much better start than last year. Increases in steel prices, rationalisation at Hall and the current round of capacity cuts in the reinforcement industry left him "more optimistic than I have been for some time for the future performance of the group."

Lionheart falls into £870,000 loss

By Ian Hamilton Fazey, Northern Correspondent

LIONHEART, the Cheshire-based paint brushes and home improvements group which returned to the dividend list only last year, yesterday reported a pre-tax loss of £870,000 for 1992, and passed its final distribution. The loss compared with a profit of £2.39m.

Mr Paul Lever, executive chairman, blamed recession for depressing sales volumes by 19 per cent and forcing price cuts that reduced margins by 3 percentage points. After shedding a fifth of the workforce to save £2m, he said Lionheart was now back in profit.

All 1991 figures have been restated under accounting standard FRS 3.

Turnover was up nearly 23 per cent at £43.6m (£35.5m) but cost of sales rose 25 per cent to £27.5m (£21.9m) and net operating expenses by 54 per cent to £15.9m (£10.4m).

This reduced operating profit to only £307,000 against a previous £3.21m. Exceptional debits, made up of abortive acquisition costs and a loss on disposal of discontinued operations, were £372,000. Interest charges rose from £543,000 to £705,000.

After two years of reconstruction under Mr Lever, Lionheart returned to the dividend list with a 0.3p final a year ago. It then paid an interim dividend of 0.2p. Mr Lever said: "After consultations in the City we decided it was better to be prudent and preserve resources. We could have paid a 0.1p final and still have headroom, but with the uncertainty about the economy we felt it better to be careful."

The company, in which Newell, the US paint brush manufacturer, increased its stake from 13.4 per cent to 20 per cent during the year, has reduced gearing from 37 per cent to 12.7 per cent by the sale and leaseback of its Wellingborough factory.

Mr Lever said profitability returned in the fourth quarter, although an expected Christmas pick-up in sales of shower curtains and bathroom accessories had not materialised.

Cala deeper in red but optimistic

INCREASED LOSSES were incurred by Cala, the housebuilding and commercial property developer, for the half year to December 31.

At the pre-tax level, the loss jumped from £1.57m to £2.85m on turnover £6.8m lower at £20.6m.

However, Mr Geoff Ball, chairman, took an optimistic view of the remainder of the year.

He said that following a buoyant start to the second half, the closing six months will produce near to 70 per cent of full year sales.

Losses per share for the first six months amounted to 5.39p (2.98p).

An interim dividend of 0.75p (1.15p) is declared but a maintained total of 2.3p is forecast.

NEWS DIGEST

Assoc Nursing plans £1.5m placing

Associated Nursing Services, the nursing homes specialist, is placing 800,000 new ordinary shares at 195p each to raise £1.5m.

ANS is considering making a cash offer for Broadwater Homes for which it will use the proceeds.

ANS already owns 20.56 per cent of the Broadwater equity and manages its two nursing homes.

Spirax-Sarco in £5.4m disposal

Spirax-Sarco Engineering has sold two subsidiaries, Drayton Controls (Engineering) and Oreg Drayton Energietechnik, to Unitech for a total cash consideration of £5.4m.

The businesses manufacture a range of automatic temperature and time controls for the domestic central heating market in the UK and Germany, a market that does not figure in Spirax-Sarco's long term strategy.

For the year to end-December 1992 the businesses made pre-tax profits of £650,000.

The book value of the assets being sold amounts to £6.3m.

SBC to raise $50m for fund

Swiss Bank Corporation is attempting to raise $50m (£35.2m) for a Jersey-based, but London-listed closed-end fund.

The Environmental Investment Company will buy shares in companies which are expected to benefit from increased spending on the environment.

The minimum investment in the fund is $10,000 in units of $50, comprising five shares with a warrant attached.

The fund has a 10 year life and the management fee is 1.25 per cent of net assets plus 3.5 per cent of any increase in net asset value each year.

Scapa's £5m French buy from Canning

Scapa Group, the international industrial materials company, has signed an agreement with Canning to acquire its wholly-owned subsidiary SABA (Societe des Adhesifs de Bellegarde Ain).

The purchase price is about £5m which will come from Scapa's existing cash resources.

Completion is due on April 2.

Courtaulds sells Wrightcel stake

Courtaulds has sold its 40 per cent interest in Wrightcel to Gadsden Rheem, the Melbourne-based packaging subsidiary of SA Brewing Holdings.

Wrightcel was set up in December 1990 as a result of a management buy-out of Courtaulds Packaging Australia.

Former CPA management holds 20 per cent and the remaining 40 per cent is held by AIDC. Wrightcel's turnover in the year ended March 31 1992 was A$55.4m (£27.1m).

Bolton declines to £21,000

Bolton Group, the property investor, suffered a fall in profits from £51,000 to £21,000 over the six months to October 31.

The Langho Nursing Centre, acquired during the period, incurred a loss of £157,000, but directors believed the project should be profitable in the next few months.

Turnover totalled £915,000 (£918,000). Earnings per share emerged at 0.23p (0.56p).

Alliance Trust shows improvement

Alliance Trust, which maintains a substantial overseas equity exposure, reported net asset value per share up from £15.39 to £17.79 in the year ended January 31.

After-tax revenue rose from £22m to £23.1m, giving earnings per share of 45.7p (43.5p).

The final dividend is increased to 31p for a total of 45p (43p).

David Lloyd well oversubscribed

The public offering of 9.84m shares in David Lloyd Leisure, the tennis and fitness chain run by the former Davis Cup player, was almost seven times over-subscribed.

The shares were priced at 150p each. Robert Fleming, the merchant bank which handled the floatation, said it received applications for almost 67.9m shares.

Investors who applied for 200 shares will receive a full allotment. Larger applications will receive a proportion ranging from 50 per cent for applications covering 500 shares to 10 per cent for applications for between 20,000 and 70,000 shares.

Dealings in the shares are due to begin on Friday.

Johnson caution with slight fall to £15.8m

By Peggy Hollinger

JOHNSON Group Cleaners, the UK's largest dry cleaning company, yesterday offered cold comfort to green shoot economists, saying it had seen no signs of recovery either here or in the US.

"We are being very cautious until we see some tangible sign of uplift," said Mr Terry Greer, chairman. And just when that will happen, he said, "well, your guess is as good as mine."

Mr Greer said Johnson had been adversely affected by the exceptionally cold weather in the US, as well as by the continued severity of recession. "We are reading about signs of recovery there, but we haven't seen any," he said.

The statements came as the group reported a slight decline in pre-tax profits from £16m to £15.8m for the 12 months to December 26, on sales 2 per cent lower at £150.8m.

The decline at the pre-tax level was due to a £148,000 deficit on property, against a profit of £130,000 last time, following a £638,000 write-down on the value of a factory.

Excluding property, Johnson reported a slight increase from £15.9m to £16m.

The most significant factor affecting profits was a £1.4m decline in interest payments to £1.6m. Gearing fell from 39 per cent to 23 per cent.

The strongest performance came from the group's growing workwear rental business, supplying uniforms and sundries to small and medium-sized businesses.

Operating profits in this division were £270,000 lower at £8.7m, on sales 7 per cent down to £41m. The decline in turnover reflected the sale of a business in the US.

In the UK, where Johnson claims some 10 per cent of the workwear market, operating profits and sales were slightly ahead, Mr Greer said.

The dry cleaning market on both side of the Atlantic continued to be depressed. Margins and sales fell, with operating profit £1m lower at £8.8m on turnover down from £110.3m to £109.8m.

Losses in Johnson's US franchise operation had increased from last year's $250,000 (£176,000), in spite of efforts to control costs. Mr Greer said there was little more that could be done, without economic recovery.

The final dividend is maintained for the third consecutive year at 18.7p, for an unchanged total of 25.7p.

Fully diluted earnings per share rose from 48.7p to 49.12p.

COMMENT

Johnson's larger competitors might take heed of the company's softly softly approach to workwear rental. By focusing on smaller to medium-sized customers, and avoiding the volatile catering and leisure sectors, Johnson has managed to keep its bucket of business topped up and at margins (reportedly as high as 20 per cent) which are only dreamed of by others. Now Johnson intends to tackle larger customers on a national basis – although in its usual cautious manner, says Mr Greer – while its rivals are moving down the scale. Although Mr Greer traditionally downplays the outlook, analysts are more enthusiastic and count on some recovery to begin this year. Forecasts are for about £17.5m pre-tax, excluding property gains, for a prospective p/e of about 16 times. Although this seems to be up with events in the short-term, Johnson's mid-cycle prospects and solid record might lead some to tuck this away for the upturn.

Searching for an early route out of limbo

John Murray Brown on attempts to realise the value of Vestel for PPI's creditors

MR Tahsin Karan, the long suffering chairman and chief executive of Vestel Elektronik, Polly Peck International's Istanbul-based consumer electronics subsidiary, is to step down at tomorrow's annual meeting.

His departure is a further blow to creditors and administrators of the failed British fruit and electronics group built up by Mr Asil Nadir. The eventual sale of Vestel is one of the few hopes the 23,000 creditors have of recouping even a small fraction of their money.

Already in the throes of a corporate restructuring, and facing an anti-dumping investigation by the European Community, Vestel is losing the marketing brains and man who, more than any other, was responsible for Vestel's emergence as an important force in Turkish electronics.

The search for a replacement has been painstakingly slow. "The company has been in a sort of limbo," complains Mr Karan, describing the 27 months since the administrators were appointed. "Without solid ownership, it has been impossible to take aggressive positions."

For all the tensions, the administrator can have few grumbles about Vestel's management, which has provided a welcome degree of co-operation, something which cannot be said of PPI's other Turkish subsidiaries.

Vestel is considered PPI's strongest Turkish asset. Started in 1985 the company quickly established itself as Turkey's leading exporter of colour televisions, while carving out a respectable slice of the local market. Vestel successfully floated a minority stake on the Istanbul exchange in June 1990. Its present market capitalisation is $53m (£37.3m).

> **Vestel is losing the marketing brains and the man who, more than any other, was responsible for Vestel's emergence as an important force in Turkish electronics**

Tomorrow it is expected to report 1992 pre-tax profits of TL161bn (£13.4m) on sales of about TL2,150bn against TL74bn on TL1,400bn a year earlier and TL167bn on TL851bn in 1990.

Vestel's strategy has been to sell its own branded televisions, audio products and other brown and white goods under marketing deals in Spain and Portugal and most recently a joint manufacturing venture in Romania. The bulk of the export production, though, is made to the design and specification of a foreign purchaser, under original equipment manufacturing agreements.

In 1992, Vestel generated $70m in export sales, with brown goods accounting for 80 per cent. But export prospects to EC markets are clouded by the anti-dumping inquiry.

Under Turkey's Association Agreement with the EC, Turkish electronics can enter the community duty free. The investigation involves imports of colour televisions which community officials contend rely on cheap components from the Far East and therefore should incur extra duties.

Turkey is now the largest supplier of medium size televisions to the EC. Vestel relies on television shipments for 80 per cent of its export revenues. If the charges stick, Mr Karan anticipates Vestel's exports to the community could fall by as much as a third.

The export uncertainty and prospect of more import competition in Turkey have not made it any easier for the administrators to find a buyer for Vestel.

The first option of floating the company on the Istanbul exchange was quickly ruled out. "It was probably always going to be difficult to float any company associated with PPI," said an Istanbul banker.

A quest was then launched for a minority partner to help Vestel expand its product range in the European market. If the company was to attract a foreign buyer, the administrators argued, it was also necessary to split the business. Unlike Europe and the US, Turkey's electronics groups are still engaged in both white and brown goods.

> **The decision to demerge the white goods business means any buyer of the brown goods operation may find it more difficult to maintain domestic market share**

In June, the company sold 25 per cent of its white goods activity to Merloni Elettrodomestici, the Italian group. The $8.5m proceeds bolstered the balance sheet rather than being remitted to PPI in London.

The link up had an obvious logic, given that in its home market Vestel was already distributing the Philco range, 50 per cent owned by Merloni. In turn Merloni has the licence for the Philco brand name in Europe, providing what Mr Karan sees as a "guarantee for our exports".

Merloni has also provided a strategic platform to export household and white goods to north Africa, and the central Asian states.

Capacity is to double at the refrigerator line, where half of production is for export. Merloni is expected to take up its option to become the 51 per cent majority shareholder.

The future for the brown goods arm, Vestel's main operation, remains unresolved. The administrators are in negotiations with a variety of interested parties, including Singer, the US electronics concern.

Paradoxically, the decision to demerge the white goods business means any buyer of the brown goods operation may find it more difficult to maintain share in the domestic market, where traditionally Turkish retailers like to handle the whole range of consumer electronic goods.

Attwoods advance to £15.5m checked by US operations

By Richard Gourlay

ATTWOODS, the waste management company, yesterday reported an 11.6 per cent increase in profits to £15.5m, but was held back by its US metal recycling business.

Pre-tax profits in the six months to end-January rose from £13.9m to £15.5m, using the new FRS 3 and Fred 3 accounting principles, on sales up 16 per cent at £195.3m.

Earnings per share fell from 4.36p to 3.7p, after last year's dilutive debt-reducing rights issue. The interim dividend is maintained at 1.75p.

Mr Ken Foreman, chairman, said he was "overall cautiously optimistic for the year".

The main hit at the operating level came in the US from Mindis, the metal recycling business. The company, which is largely dependent on world metal prices, swung from an operating profit of £900,000 to a loss of £2.8m on sales of $54m (£38m) in the first half.

Profits would have been flat without the benefit of exchange translations from the dollar and D-Mark.

Exchange translation also affected net borrowings, with net debt up £50.6m from the year-end at £125.9m. This gave gearing of 52.2 per cent, up from 36.4 per cent. Interest cover fell to 10 times.

At constant exchange rates, debt would have risen by £25m, in line with Attwoods' expectations.

Operationally, the Florida waste operation performed well and reaped a net gain from the aftermath of Hurricane Andrew.

In continental Europe, an anticipated reduction in margins from the planned expansion of the waste management division, was worse than expected due to the downturn in the German economy.

Germany accounted for 16 per cent of group sales and was less likely to suffer from the economic downturn as much of its business was related to construction and environmental services in the eastern part of the country, the company said.

Avon sets up Saudi venture

AVON RUBBER, the UK tyre and automotive components concern, has agreed to a joint venture with a group of Middle Eastern investors to build a $200m (£141m) tyre factory in Saudi Arabia.

Avon will invest £2m and will provide technology for the plant in return for a 5 per cent stake in the factory. The rest of the funding is to be provided by a group of Saudi investors.

The factory is expected to come on stream in 1995, with initial production targeted at 650,000 tyres a year. It is expected that after five years the plant will produce some 1m tyres - about 20 per cent of overall Saudi demand.

In December, Avon announced a 36 per cent rise in annual pre-tax profits to £9.15m. The group is heavily dependent on the US market where more than 25 per cent of its business is based.

BBA gets £58m for stake

By Kevin Brown and Jane Fuller

BBA, the engineering group, yesterday sold its 57 per cent stake in Pacific BBA, the Australian industrial and automotive manufacturer, for A$122.5m (£58m). The shares were placed with institutions.

The sale reduces BBA's net debt, which stood at £227.5m in December, bringing down gearing from 61 per cent to 44 per cent on a year-end basis. Mr Peter Clappison, finance director, said this was about the group's "comfort level" for gearing.

BBA's share price gained 7p to close at 171p.

The group said it was concentrating on developing its core operations in Europe and North America. It has a policy of disposing of non-core activities "depending on their performance and the interest among potential buyers".

The diversified group, which has automotive, industrial and aviation divisions, defines a core business as having a strong international market share, technological leadership and where barriers are high to the entry of competitors.

In terms of acquisition priorities, Mr Clappison said the most likely area would be the industrial division. This was the biggest contributor to the group's £47.4m pre-tax profit, on sales of £1.32bn, announced last week.

Pacific BBA had been operating as a separate entity within the group, particularly since it gained a listing on the Australian stock exchange in November 1988.

Mr Peter Cottrell, Pacific BBA chairman, said it was "pleasing to be able to reverse the trend of overseas acquisitions of Australian assets". The company's priorities lay with expanding in the Asia Pacific region.

Earlier this month Pacific BBA announced a rise in after-tax profit to A$9.78m (A$7.51m) for 1992 on sales of A$291m. Its contribution to BBA's profits after tax and the minority deduction was £2.7m.

Pacific BBA shares closed 14 cents higher at A$2.90 on the Australian stock exchange.

Rise at Law Debenture

LAW Debenture Corporation increased net asset value by 21 per cent to 514p at the end of 1992, against 426.3p a year earlier.

After-tax revenue rose by 6.3 per cent from £4.3m to £4.57m in the year, representing earnings per share of 20.07p (18.92p). The final dividend is raised to 12p making a total of 18.25p (17.5p).

A geographical split of the portfolio shows UK investments lower at 63.8 per cent (66.3 per cent), while elsewhere there were increases in the US to 23.8 per cent (23 per cent); Europe 7 per cent (6 per cent); Japan and Far East 3.9 per cent (3.5 per cent) and Australia 1.5 per cent (1.2 per cent).

COMPANY NEWS IN BRIEF

BELLWAY: Recent £33.6m rights taken up in respect of 10.4m shares, representing 96.1 per cent of issue.

CROWN BUSINESS Communications: Heads of agreement have been signed for a management buy-out of the company. The deal is backed and financed by the Bank of Scotland.

FALCON MINES: Shareholders of the company, which is in liquidation, have resolved to wind up Falcon plc and, accordingly, the scheme of reconstruction approved by shareholders at a separate meeting has been carried into effect.

NO PROBE: The following proposals are not to be referred to the Monopolies and Mergers Commission: the acquisition by McLeod Russel Holdings of Wheway and the acquisition by Calor Group of certain assets of BP Oil comprising part of its liquid petroleum gas business.

PIZZA EXPRESS: Recent rights issue of 10.26m new shares taken up as to 9.49m shares (92.5 per cent). Mr David Blechner, a director, took up his rights and is now interested in 3.17m shares (8 per cent).

SUTER has completed the purchase of certain assets of United Air Coil, which is in administrative receivership, for £210,000.

Triplex Lloyd rights

Triplex Lloyd rights issue has been taken up in respect of 12.2m new shares, representing 95.1 per cent of offer.

Prices for electricity determined for the purposes of the electricity pooling and settlement arrangements in England and Wales.

1/2 hour period ending	Provisional Price for Trading on 17.03.93: Pool purchase price £/MWh	Final Prices for Trading on 17.02.93: Pool purchase price £/MWh	Pool selling price £/MWh
0030	18.72	18.09	18.09
0100	23.16	20.82	[illegible]
0130	26.70	25.56	27.24
0200	[illegible]	25.56	27.18
[illegible]	20.58	20.95	22.41
0300	20.58	20.95	22.41
0330	18.28	18.08	18.08
0400	17.64	18.02	18.02
0430	17.61	17.58	17.58
0500	17.84	17.54	17.54
0530	17.61	18.08	18.08
0600	17.61	18.08	18.08
0630	17.88	18.08	18.08
0700	22.80	21.34	22.85
0730	23.47	25.59	[illegible]
0800	23.61	25.98	[illegible]
0830	23.61	21.91	23.43
0900	23.61	21.94	23.45
0930	[illegible]	22.12	23.64
1000	30.50	24.24	25.84
1030	30.53	[illegible]	25.84
1100	24.96	24.24	25.84
1130	24.96	24.24	25.84
1200	24.96	21.94	23.45
1230	24.96	21.94	23.45
1300	24.96	21.94	23.45
1330	23.80	21.94	23.45
1400	23.80	18.63	18.63
1430	23.55	18.47	18.47
1500	19.67	[illegible]	18.47
1530	19.68	18.50	18.50
1600	19.68	18.50	18.50
[illegible]	23.55	21.94	23.44
1700	23.80	21.94	23.42
1730	23.80	23.62	25.15
1800	23.80	27.00	28.81
1830	28.91	27.00	28.57
1900	28.71	27.00	28.65
1930	28.11	26.99	28.57
[illegible]	26.00	25.30	26.86
2030	23.80	21.94	23.40
2100	23.80	21.64	23.10
2130	[illegible]	21.43	22.89
2200	22.80	21.43	[illegible]
2230	20.75	21.43	22.91
2300	18.62	18.05	18.05
2330	17.81	17.58	17.58
2400	17.80	17.58	17.58

Prices are determined for every half-hour in each twenty-four hour period. Prices are in pounds per megawatt-hour ... To convert prices to pence per kilowatt-hour the decimal point should be moved one place to the left ... Provision for the determination of pool prices is made in the Pooling and Settlement Agreements which govern the operation of the electricity pool in England and Wales. The Pool Purchase Price is the basis of the majority of payments made to generators in respect of electricity traded through the pool. The calculation of pool prices is a highly complex process the product of which is subject to revision or correction (and sometimes major alteration) until final pool prices are determined approximately twenty-four days after the day of trading. Accordingly due to the possibility of their revision and/or correction, no reliance should be placed upon provisional pool prices for any day being the same as final pool prices for that day. Final pool prices are also capable of revision. Pool Selling Price is the price paid by purchasers of electricity under the pool trading arrangements. It is dependent upon the determination of Pool Purchase Price. Further information on pool prices is provided on behalf of the Pool by NGC Settlements Limited. Anyone wishing to receive such information should telephone [illegible] between 8.30am and 5.15pm Monday to Friday.

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LME stocks top 3m-tonne mark

By Kenneth Gooding, Mining Correspondent

METALS MARKETS received a psychological battering yesterday when another huge rise in London Metal Exchange stocks took the total above 3m tonnes for the first time.

Even though most aluminium, lead, nickel, tin and zinc producers were unprofitable at present, metal prices were unlikely to recover substantially with so much highly-visible stock weighing down the market, analysts suggested.

LME stock levels were "indicative of the situation in the physical markets. Economic recovery in the US is being offset by weakness in Germany and Japan," said Mr Angus MacMillan, research manager at Billiton-Enthoven Metals, part of the Royal Dutch/Shell group. He recalled that Japan was the second most important consumer of all base metals except for nickel, of which it was the biggest consumer. Germany was the third-largest consumer of all six base metals traded on the LME.

However, Mr Nick Moore, metals analyst at Ord Minnett, the Westpac subsidiary, pointed out that there were now about 325 LME-authorised warehouses world-wide compared with only 16, all in Europe, in 1982. This had encouraged producers and consumers to move their stock on to the LME so not all of the metal was readily available.

Nevertheless, Billiton's Mr MacMillan said that total western world stocks – not just those in LME warehouses – of aluminium and nickel were at "horrendous" levels and those of tin and zinc were heading fast in that direction. Copper and lead stocks were now "uncomfortably high".

Mr MacMillan said: "We need a return to synchronised growth in the major industrialised economies before there is any sustained recovery in metals demand – and there is not much chance of that before the year end."

LME WAREHOUSE STOCKS (As at Monday's close) tonnes

Aluminium	+1,950	to 1,701,550
Copper	+6,700	to 346,100
Lead	−2,150	to 235,150
Nickel	+222	to 85,752
Zinc	+7,825	to 567,400
Tin	+180	to 19,170

Italy tries to limit foot and mouth restrictions

By Robert Graham in Rome

THE ITALIAN agriculture and health authorities were yesterday attempting to limit the scope of restrictions imposed with effect from today by the European Community on the export of live cattle, sheep and pigs as well as processed meats following the discovery of an outbreak of foot and mouth disease.

The outbreak occurred in the southern region of Basilicata but has spread to four other provinces including to important cattle centres in the Veneto. Livestock exports earn little more than L15bn (£6.5m) a year; but if restrictions on processed meats (hams, salamis etc) are extended beyond the March 31 deadline the damage could being serious as these earn L400bn a year.

The main effect is already being felt in the domestic market. Since the outbreak was first discovered on March 10 3,921 animals have been slaughtered, including 2,000 sheep, 1,121 cattle and 652 pigs. The net loss is put at about L2.5bn.

But at Monday's market at Modena in northern Italy, the most important in the country, there were fears the eventual losses could be high. In particular it was feared that lamb being reared for Easter would be badly affected. Farmers also said they feared the EC would take a tough line and use the outbreak of the disease as an excuse to force Italy to reduce its dairy herd in order to conform to the community's new milk quotas. Italy risks having to kill more than 400,000 head of cattle to conform with the quotas; and one scheme floated was to export this quantity to Albania as aid under an EC grant.

The cause of the outbreak has still not been formally identified. However, magistrates are thought to be investigating purchases of cattle from Croatia. They were shipped via Greece through Italy's southern port of Bari.

BHP steps up Chinese exploration efforts

By Tony Walker in Beijing

BROKEN HILL Proprietary, the Australian steel and resources giant, is stepping up its involvement in China with new explorations ventures in oil and minerals. But its chairman, Mr Brian Loton, says the company is proceeding cautiously in a complex market.

Speaking in Beijing at the weekend, Mr Loton said BHP's approach to China would be "practical and hard-nosed", but at the same it recognised the growth of new opportunities now that the country was "opening up".

The BHP chairman, who has tended to be regarded by company insiders as a "China-sceptic", was visiting Beijing to assess an expanding range of options for BHP in both the resources and oil and gas sectors. He was received by Vice Premier Zou Jiahua, one of the Chinese leaders responsible for economic management, and officials of the Ministry of Metallurgical Industries.

Mr Loton said that representatives of BHP Petroleum would be visiting China later this month to examine possible involvement in exploration of the vast Tarim basin in the north-west, which has recently been opened to foreign companies and may have reserves to match those of Saudi Arabia. He stressed, however, that BHP on its own did not have the resources necessary to explore China's desert wastes. This indicated that BHP might join forces with an oil major in a Tarim basin venture.

BHP's experiences looking for oil in China had not been encouraging, Mr Loton noted. It had, for example, drilled 23 dry wells in the Yellow Sea and Pearl River delta in a consortium with British Petroleum. He added, nevertheless, that these setbacks had "not dimmed our enthusiasm," and that BHP was either actively engaged in exploration or was evaluating opportunities in several offshore areas. These included the Bohai Gulf in northern Chinese waters, the South China Sea and areas off Hainan Island in the south. BHP was also expected to bid for blocks in the East China Sea off Shanghai in June.

The company was also spending about A$4m to evaluate a lead/zinc prospect in Sichuan province in China's centre-west. This venture marks something of a first for a foreign company in the strategic minerals and metals area.

China has tended to guard jealously its minerals and onshore oil and gas resources from foreign involvement, but with demands from the leadership for speedier economic development, officials are now beginning actively to seek assistance abroad.

Mr Loton said that his company had no immediate plans for further minerals exploration ventures, but he also noted that China recognised the expertise of companies like BHP in both looking for and exploiting mineral deposits. China has barely scratched the surface of its minerals assets across a vast country. An obsession with gold – in the past two decades about 70 per cent of China's exploration resources were devoted to looking for the metal – has been a serious drag on overall minerals development.

BHP's chairman and his fellow executives were bullish about the company's iron ore sales to China, which they expected would rise by about 10 per cent to some 5m tonnes in 1993. The sales are being driven by the extraordinary growth in the Chinese economy in the past year of 12.8 per cent, well up on revised growth targets of 9 per cent.

China produced 78m tonnes of steel last year, making it the world's number three producer. It is aiming for 100m tonnes a year by 2000, which represents continuing good news for BHP and other Australian iron ore suppliers.

Price surge spells danger for timber industry

Canadian producers fear that users may turn to substitutes, writes Bernard Simon

EVEN AS Canada's timber industry celebrates surging prices for its products, worries are growing that it will soon be caught in the same worldwide squeeze on supplies that has driven lumber prices to record levels.

For the moment the jump in prices is a welcome ray of light in an otherwise gloomy sector. The strong lumber business has helped integrated forestry companies to offset their losses on pulp and newsprint and other types of paper. Specialised lumber producers are basking in record profits.

According to Madison's Canadian Lumber Reporter, an industry newsletter, standard spruce, pine and fir two-by-four planks are selling this week for US$460 per thousand board feet in the US, up from $305 in mid-January and $235 a year ago. Prices are also sharply higher in Japan, the biggest market for British Columbia's coastal saw mills.

Returns to Canadian producers have been further boosted by a 12 per cent decline in the Canadian dollar since November 1991.

A recovery in housing starts and other construction has been the traditional signal for a run-up in lumber prices. But the present price explosion owes as much to nervousness about future supplies of timber as to rising consumption. Indeed, some producers fear that prices are now so high that homebuilders and other users may turn to substitutes such as steel, cement and plastics.

Supply concerns in the US are centred on the large tracts of forest in Oregon and Washington that the federal government has withdrawn from logging to protect the northern spotted owl and other threatened species.

Across the Pacific, Japanese buyers have been forced to broaden their horizons as a result of restricted supplies from south-east Asia and disruption of exports from Russia.

The Canadians have rushed to fill the gaps. Canadian lumber exports to the US will jump by 1.2bn board ft this year to a near-record 14.4bn, according to a study published in Madison's by Mr Doug Smyth, research director of the Canadian branch of the International Woodworkers of America union.

One reason for the recent surge in prices, however, is that US buyers can no longer rely on Canada to meet the full shortfall in domestic supplies. Many mills north of the border are more eager these days to widen the market for value-added, finished lumber in Japan and Europe, rather than increase their share of the market for lower-margin, commodity-grade products to the US.

The British Columbia coastal industry, which has the best quality trees but also high transport and cutting costs, is already geared almost entirely for offshore markets, mainly Japan and Europe, but increasingly Taiwan and China. Some producers in the interior of the province, who in the past have shipped almost exclusively to the US, are also becoming more active in the Japanese market.

Mr Brian McCloy, vice-president of the BC Council of Forest Industries, estimates that 10 to 15 per cent of interior lumber is now shipped overseas.

Canadian supplies are starting to be threatened however, by the same environmental pressures that have slashed harvesting in the north-west US.

Mr John Burch, general manager for marketing at Primex Forest Products in Delta, BC, predicts "one or two major closures" among British Columbian saw mills over the next few years as a result of tightening land-use curbs. Weldwood of Canada last week announced the closure of a saw mill at Williams Lake because of timber supply curbs. Timber shortages have already prevented some interior mills from adding extra shifts to meet growing US demand.

The pressures come from various sources. There are no spotted owls in Canada, but environmentalists are demanding wider protection for the marbled murrelet, a small sea bird that they claim nests in old-growth forests. The murrelet has already been listed as a threatened species in the US.

Forestry companies have also drawn fire for "clear-cut" logging, which has denuded some of the most scenic parts of the province.

The BC government has pledged to double – from 6 per cent to 12 per cent – the land set aside for parks and wilderness areas. The Committee on Resources and the Environment, headed by a former provincial ombudsman, was set up last year to allocate land for commercial forests and other uses. It has already appointed three land-use committees to draw lines on the map of Vancouver Island, the Cariboo Mts in the east-central part of the province and the West Kootenays in the south-east.

Meanwhile, the timber companies are nervously watching a myriad of lower-profile initiatives, such as proposals to ban logging along river banks and to increase the bio-diversity of existing forests. These proposals threaten not just to put trees out of bounds for commercial logging, but also to push up costs by impeding access of men and machinery to the forests that can be cut.

An official at MacMillan Bloedel, the biggest coastal lumber producer, says "these things are hurting us even more than the large-scale set-asides".

Canada's lumber industry senses however, that it has one advantage over its US counterpart in the fight against tightening environmental laws.

About 40 per cent of the trees in Washington and Oregon are owned by the US federal government, but in Canada, forests are mostly under the control of the provinces – 95 per cent, in the case of British Columbia. Industry leaders hope that provincial governments will be more receptive than remote federal bureaucrats to arguments that curbs on logging will lead to heavy job losses and the devastation of some small communities. They note that forestry is the biggest contributor to the British Columbia economy, while it ranks only third in Washington state (after aerospace and farming).

MacMillan Bloedel contends that a 10 per cent reduction in the British Columbian timber harvest would put 50,000 people out of work and add C$750m (US$600m) a year to the provincial budget deficit.

The squeeze on timber harvesting and the resulting surge in lumber prices has added as much as 5 per cent to the cost of building a new home in the US, a development that is only partially offset by falling mortgage rates and rising new home demand, writes Laurie Morse in Chicago.

The rocketing cost of lumber has prompted the influential National Association of Home Builders, a 160,000-member organisation, to ask President Bill Clinton to convene a meeting between US logging and environmental interests. Mr Clinton has asked Vice President Al Gore to organise the meeting.

Mr Michael Carliner, chief economist for the home builders' group, said a 90 per cent rise in lumber prices since October had increased the cost of building a 2,000 square foot home that might sell for $120,000 by about $4,500. It takes an estimated 15,000 board feet of lumber to build an average home, with wood products used for flooring and trim as well as framing. The average price for 1,000 board feet of a mixture of lumber grades, as reported by the Random Lengths Lumber service, was $474 last week, up from $249 in October.

"The market has probably overshot its mark, with a lot of panic buying," said Mr Carliner. "Lumber producers who own their own forest land may be holding product off the market waiting for higher prices."

Timber sales from the south-eastern US are rising to fill the supply gap, but analysts say the south is also facing restrictions because of the endangered species act and a broader definition of wetlands.

Bolivia faces mine crisis

By Chris Philipsborn in La Paz

BOLIVIA'S MINING industry, which has only just begun to recover from the market crash caused by the collapse of the International Tin Council's buffer stock operation in 1985, is bracing itself for a second shock.

Both the private and public sectors have already suffered a depressing opening to the new year. Lithco pulled out of a $1.5bn deal with the Bolivian government in January. Shortly afterwards Jordex Resources withdrew after selling its majority stake in Minera Tiwanacu. Some private mining concerns, including Britain's RTZ are said to be considering slimming down their presence in Bolivia.

Two existing joint ventures between Comibol, the state mining corporation, Cominesa and a subsidiary of Brazil's Paranapanema are still inoperable because of union opposition. The government's continuing reluctance to tackle the unions means further joint venture contracts are likely to be stalled before the June general elections.

This already fragile situation is complicated by the fall in international prices for zinc, which now tops Bolivia's mining production, and also gold, silver, wolfram and antimony. Bolivian mining minister Mr Alvaro Rejas believes the industry is facing a crisis similar to that caused by the collapse of tin prices in 1985, when some 23,000 state miners were made redundant.

MINOR METALS PRICES

Prices from Metal Bulletin (last week's in brackets).

ANTIMONY: European free market 99.6 per cent, $ per tonne, in warehouse, 1,610-1,680 (1,620-1,680).

BISMUTH: European free market, min. 99.99 per cent, $ per lb, tonne lots in warehouse, 2.20-2.40 (same).

CADMIUM: European free market, min. 99.5 per cent, $ per lb, in warehouse, 0.35-0.45 (same).

COBALT: European free market, 99.5 per cent, $ per lb, in warehouse, 16.00-16.50 (15.85-16.50).

MERCURY: European free market, min. 99.99 per cent, $ per 76 lb flask, in warehouse, 120-140 (same).

MOLYBDENUM: European free market, drummed molybdic oxide, $ per lb Mo, in warehouse, 2.05-2.15 (2.00-2.10).

SELENIUM: European free market, min 99.5 per cent, $ per lb, in warehouse, 4.70-5.40.

TUNGSTEN ORE: European free market, standard min. 65 per cent, $ per tonne unit (10 kg) WO_3, cif, 31-43 (33-44).

VANADIUM: European free market, min. 98 per cent, $ a lb V_2O_5, cif, 1.60-1.70 (same).

URANIUM: Nuexco exchange value, $ per lb, U_3O_8, 7.60 (same).

WORLD COMMODITIES PRICES

MARKET REPORT

New York raw **SUGAR** prices were broadly lower by midsession on sentiment that Monday's sharp rise might have been overdone. The market, already poised for an advance after Friday's firm close, soared on news that Cuba's crop and mills might have been damaged by the weekend storm which swept up the eastern US. But analysts said uncertainty about the extent of the damage was paring the gains. New York **COFFEE** prices were down at mid-day, weighed down by lack of news in the physical market, large consumer stocks and little chance of renewed ICO export quotas. **GOLD** edged ahead on the London bullion market, but was meeting stiff resistance at $330 a troy ounce on Comex at midday. London dealers said gold still had to overcome downward pressure from producer sales with the South African rand gold price approaching record levels. Both **PLATINUM** and **PALLADIUM** were weighed down in London by Japanese selling as the dollar slumped against the yen.

Compiled from Reuters

London Markets

SPOT MARKETS

Crude oil (per barrel FOB)(Apr)		+ or -
Dubai	$18.26-8.30u	-0.08
Brent Blend (dated)	$18.53-8.57u	-0.21
Brent Blend (May)	$18.67-8.69	-0.09
W.T.I (1 pm est)	$20.22-0.25u	-.105
Oil products (NWE prompt delivery per tonne CIF		+ or -
Premium Gasoline	$199-200	+0.5
Gas Oil	$171-172	-5.5
Heavy Fuel Oil	$75-77	-1
Naphtha	$172-173	
Petroleum Argus Estimates		
Other		+ or -
Gold (per troy oz)♣	$328.75	+0.1
Silver (per troy oz)♣	365.50c	+1.5
Platinum (per troy oz)	$349.65	-2.4
Palladium (per troy oz)	$105.25	-1.4
Copper (US Producer)	100.5c	-0.5
Lead (US Producer)	35.5c	
Tin (Kuala Lumpur market)	14.49r	-0.08
Tin (New York)	252.0c	
Zinc (US Prime Western)	62.0c	
Cattle (live weight)†	133.70p	-1.89*
Sheep (live weight)†♣	112.27p	-5.62*
Pigs (live weight)†	[illegible]	-1.29
London daily sugar (raw)	$280.1	+13.6
London daily sugar (white)	$291.5	
Tate and Lyle export price	£307.5	+9
Barley (English feed)	Unq	
Maize (US No. 3 yellow)	£171.0	
Wheat (US Dark Northern)	Unq	
Rubber (Apr)♥	63.75p	
Rubber (May)♥	64.25p	
Rubber (KL RSS No 1 Feb)	220.0m	
Coconut oil (Philippines)§	$432.5y	+2.5
Palm Oil (Malaysian)§	$410.0x	+7.5
Copra (Philippines)§	$282.5	-2.5
Soyabeans (US)	£181.0	
Cotton "A" index	62.35c	
Wooltops (64s Super)	392p	

£ a tonne unless otherwise stated. p-pence/kg. c-cents/lb. r-ringgit/kg. y-Apr/May u-May x-Apr. ♥London physical §CIF Rotterdam. ♣ Bullion market close. m-Malaysian cents/kg. ♣Sheep prices are now live weight prices * change from a week ago, provisional prices

SUGAR – London FOX ($ per tonne)

Raw	Close	Previous	High/Low	
May	244.20	255.00	254.60	254.00
Aug	249.00	257.00	256.60	
Oct	228.00	229.00	229.00	228.00
White	**Close**	**Previous**	**High/Low**	
May	288.00	294.50	295.00	
Aug	281.00	285.50	291.50	
Oct	270.00	272.00	270.00	

Turnover: Raw 165 (111) lots of 50 tonnes. White 2864 (2822) Paris- White (FFr per tonne): May 1633.40 Aug 1676.93

CRUDE OIL – IPE ($/barrel)

	Latest	Previous	High/Low	
Apr	18.54	18.69	18.75	18.52
May	18.61	18.74	18.79	18.55
Jun	18.70	18.82	18.83	18.60
Jul	18.71	18.83	18.80	18.66
Aug	18.73	18.85	18.78	18.73
Sep	18.72	18.88	18.73	18.72
Oct	18.81	18.89	18.81	
Nov	[illegible]		18.81	
IPE Index	18.90	18.74		

Turnover 27171 (38506)

GAS OIL – IPE ($/tonne)

	Close	Previous	High/Low	
Apr	172.50	174.25	173.00	171.50
May	170.75	[illegible]	172.00	170.50
Jun	170.50	172.50	171.75	170.50
Jul	171.50	174.25	172.50	171.50
Aug	173.25	176.75	174.50	173.25
Sep	175.00	178.75	176.50	175.00
Oct	178.00		178.00	
Nov	179.50	[illegible]	180.00	178.50
Dec	181.75		181.75	

Turnover 9696 (8813) lots of 100 tonnes

JUTE

C and F Dundee: BTC US$355, BWC US$380, BTD US$320, BWD US$340. C and F Antwerp: BTC US$340, BWC US$340, BTD US$315, BWD US$315.

COTTON

LIVERPOOL- Spot and shipment sales amounted to 40 tonnes for the week ended 12 March, compared with 238 tonnes in the previous week. Subdued offtake did not bring many operations. support was forthcoming in certain specialist styles notably in the African range.

COCOA – London FOX (£/tonne)

	Close	Previous	High/Low	
Mar	690	696	691	691
May	698	710	709	697
Jul	712	723	720	710
Sep	724	735	734	725
Dec	744	756	749	742
Mar	763	774	772	760
May	776	787	781	781
Jul	790	800	789	789
Sep	803		809	804
Dec	826		833	833

Turnover: 2468 (3052) lots of 10 tonnes
ICCO indicator prices (SDRs per tonne). Daily price for Mar 15 710.56 (686.40) 10 day average for Mar 16 704.32 (707.96)

COFFEE – London FOX ($/tonne)

	Close	Previous	High/Low	
Mar	946	976	975	949
May	906	926	920	904
Jul	876	893	892	871
Sep	884	903	900	881
Nov	896	916	910	890
Jan	906	927	922	900

Turnover:3633 (1963) lots of 5 tonnes
ICO indicator prices (US cents per pound) for Mar 15: Comp. daily 55.69 (55.02) 15 day average 56.59 (56.81)

POTATOES – London FOX (£/tonne)

	Close	Previous	High/Low	
Apr	40.5	38.5	40.0	38.5
Apr	94.0	93.0	93.0	

Turnover 37 (13) lots of 20 tonnes.

SOYAMEAL – London FOX (£/tonne)

	Close	Previous	High/Low
Aug	144.00		144.00
Oct	147.00		147.00

Turnover 20 (25) lots of 20 tonnes.

FREIGHT – London FOX ($10/index point)

	Close	Previous	High/Low	
Mar	1440	1445	1445	1440
Apr	1418	1436	1435	1415
May	1360	1395	1395	1360
Jul	1240	1245	1249	1240
Oct	1360	1365	1360	
BFI	1450	1442	1450	

Turnover 256 (199)

GRAINS – London FOX (£/tonne)

Wheat	Close	Previous	High/Low	
Mar	142.25	141.90	142.25	
May	143.50	143.25	143.50	142.90
Jun	144.75	144.50	144.75	144.25
Nov	111.25	111.40	111.25	111.10
Mar	116.90	117.00	116.90	
Barley	**Close**	**Previous**	**High/Low**	
Mar	140.60	142.00	140.60	

Turnover: Wheat 103 (146), Barley 5 (10).
Turnover lots of 100 Tonnes.

PIGS – London FOX (Cash Settlement) p/kg

	Close	Previous	High/Low
Apr	115.5	116.0	115.0

Turnover 24 (15) lots of 3,250 kg

LONDON METAL EXCHANGE (Prices supplied by Amalgamated Metal Trading)

	Close	Previous	High/Low	AM Official	Kerb close	Open Interest
Aluminium, 99.7% purity ($ per tonne)						Total daily turnover 48,647 lots
Cash	1144.5-45.5	1144-45	1142/1141.5	1141.5-42		
3 months	1166.5-67	1167-68	1167/1164	1164-64.5	1167-68	167,725 lots
Copper, Grade A (£ per tonne)						Total daily turnover 53,907 lots
Cash	1491.5-92.5	1508-09	1489/1488.5	1488.5-89		
3 months	1517.5-18	1534-35	1519/1510	1514-14.5	1518-19	165,474 lots
Lead (£ per tonne)						Total daily turnover 5,800 lots
Cash	272.5-3.5	278.5-79.5		274-74.5		
3 months	282-83	288-88.5	285/282	[illegible]	284.5-85.0	21,089 lots
Nickel ($ per tonne)						Total daily turnover 7,737 lots
Cash	5875-78	5995-905	5878/5840	5844-46		
3 months	5937-40	5966-70	5940/5895	5910-11	5940-45	40,074 lots
Tin ($ per tonne)						Total daily turnover 3,685 lots
Cash	5520-30	5635-45		[illegible]		
3 months	5555-60	5685-700	5595/5550	5580-85	5595-600	6,091 lots
Zinc, Special High Grade ($ per tonne)						Total daily turnover 12,506 lots
Cash	994.5-95.5	998.5-99.5	994/993.5	993.5-94		
3 months	1013-14	1017-18	1014/1008	1013.5-14	1012-14	70,840 lots

LME Closing £/$ rate:
SPOT: 1.4412 | 3 months: 1.4359 | 6 months: 1.4282 | 9 months: 1.4236

LONDON BULLION MARKET (Prices supplied by N M Rothschild)

Gold (troy oz)	$ price	£ equivalent
Close	328.60-329.00	
Opening	329.00-329.40	
Morning fix	328.00	228.155
Afternoon fix	329.00	227.194
Day's high	329.00-329.30	
Day's low	[illegible]	

Loco Ldn Mean Gold Lending Rates (Vs US$)

1 month	2.54	6 months	2.40
2 months	2.50	12 months	2.42
3 months	2.46		

Silver fix	p/troy oz	US cts equiv
Spot	252.60	366.00
3 months	256.15	367.75
6 months	259.55	370.50
12 months	265.55	377.05

GOLD COINS

	$ price	£ equivalent
Krugerrand	329.00-332.00	226.00-230.00
Maple leaf	336.55-340.75	-
New Sovereign	78.50-81.50	54.00-56.00

TRADED OPTIONS

Aluminium (99.7%)	Calls		Puts	
Strike price $ tonne	Apr	Jul	Apr	Jul
1125	31	30	3	10
1150	13	19	10	18
1175	4	12	28	29
Copper (Grade A)	**Calls**		**Puts**	
2100	71	104	3	19
2150	33	72	16	36
2200	11	46	44	60
Coffee	**May**	**Jul**	**May**	**Jul**
900	51	48	26	55
950	27	30	52	87
1000	14	19	89	126
Cocoa	**May**	**Jul**	**May**	**Jul**
725	16	39	31	41
750	9	29	49	56
775	4	22	69	74
Brent Crude	**May**	**Jun**	**May**	**Jun**
1850	45	73	39	56
1900	24	54	67	
1950	13	27		

New York

GOLD 100 troy oz.; $/troy oz.

	Close	Previous	High/Low	
Mar	329.1	329.3	328.8	328.8
Apr	329.6	329.8	330.0	328.7
May	330.2	330.4	0	0
Jun	[illegible]	331.1	331.4	330.0
Aug	332.3	332.4	332.2	331.3
Oct	333.7	[illegible]	333.8	333.6
Dec	335.1	335.4	335.5	334.4
Feb	336.7	337.0	0	0
Apr	338.3	338.6	0	0

PLATINUM 50 troy oz; $/troy oz.

	Close	Previous	High/Low	
Apr	349.0	353.4	352.0	347.0
Jul	348.6	353.2	351.5	347.2
Oct	348.6	353.2	351.0	347.0
Jan	347.6	352.9	351.0	348.0

SILVER 5,000 troy oz; cents/troy oz.

	Close	Previous	High/Low	
Mar	364.8	365.4	367.5	364.0
Apr	365.6	366.2	367.0	367.0
May	366.5	367.2	370.0	365.5
Jul	368.9	369.6	372.0	369.5
Sep	371.3	373.1	373.0	371.0
Dec	374.9	376.7	376.0	374.0
Jan	375.3	376.1	0	0
Mar	378.7	379.4	380.0	378.0
May	381.3	382.0	382.0	382.0
Jul	384.0	384.7	0	0

HIGH GRADE COPPER 25,000 lbs; cents/lbs

	Close	Previous	High/Low	
Mar	98.40	98.00	98.65	98.00
Apr	98.70	98.30	98.60	98.15
May	97.10	98.70	97.60	96.55
Jun	97.50	97.30	0	0
Jul	97.85	97.45	98.00	97.30
Aug	98.20	97.80	97.30	97.30
Sep	98.55	98.15	98.50	98.20
Oct	98.70	98.30	0	0
Nov	98.95	98.55	0	0
Dec	99.30	98.85	99.50	98.88

CRUDE OIL (Light) 42,000 US galls $/barrel

	Latest	Previous	High/Low	
Apr	20.08	20.16	20.18	19.97
May	20.23	20.30	20.31	[illegible]
Jun	20.35	20.37	20.38	20.20
Jul	20.33	20.42	20.42	20.27
Aug	20.49	20.45	20.44	20.39
Sep	20.43	20.45	20.40	20.32
Oct	20.32	20.44	20.40	20.30
Nov	20.41	20.43	20.35	20.35
Dec	20.32	20.41	20.32	20.27
Jan	20.36	20.38	0	0

HEATING OIL 42,000 US galls, cents/US galls

	Latest	Previous	High/Low	
Apr	57.58	57.28	57.70	56.90
May	56.60	56.51	56.75	56.20
Jun	55.80	55.79	56.00	55.50
Jul	55.65	55.74	55.95	55.60
Aug	56.05	56.29	56.30	56.10
Sep	57.20	57.24	57.25	57.10
Oct	58.10	[illegible]	58.15	58.15
Nov	59.05	58.99	59.05	59.05
Dec	59.75	59.79	59.90	59.65
Jan	60.15	60.16	60.15	60.15

COCOA 10 tonnes;$/tonnes

	Close	Previous	High/Low	
Mar	[illegible]	879	872	860
May	903	893	905	894
Jul	926	915	926	908
Sep	948	938	948	927
Dec	988	973	986	967
Mar	1015	1008	1010	1002
May	1037	1030	0	0
Jul	1055	1048	0	0
Sep	1077	1070	0	0
Dec	1102	1095	0	0

COFFEE "C" 37,500lbs; cents/lbs

	Close	Previous	High/Low	
Mar	59.50	62.25	60.60	59.50
May	60.55	63.25	63.40	60.50
Jul	62.35	65.05	65.15	62.20
Sep	64.00	66.75	66.40	64.00
Dec	66.45	69.35	69.00	66.45
Mar	68.90	71.80	71.80	68.90
May	70.25	73.40	73.00	72.00

SUGAR WORLD "11" 112,000 lbs; cents/lbs

	Close	Previous	High/Low	
May	11.00	11.50	11.30	10.94
Jul	11.22	11.58	11.43	11.15
Oct	10.15	10.31	10.35	10.04
Mar	9.53	9.85	9.73	9.53
May	9.61	9.83	9.85	9.62
Jul	9.64	9.86	0	0

COTTON 50,000; cents/lbs

	Close	Previous	High/Low	
May	63.55	64.65	64.20	63.40
Jul	64.47	65.59	65.20	64.31
Oct	63.80	64.46	64.35	63.55
Dec	62.27	63.17	63.05	62.15
Mar	63.02	63.92	63.20	63.20
May	63.62	64.55	0	0
Jul	64.07	64.96	0	0

ORANGE JUICE 15,000 lbs; cents/lbs

	Close	Previous	High/Low	
Mar	75.25	76.15	77.50	75.25
May	77.65	78.10	80.30	76.65
Jul	80.30	81.20	83.50	80.00
Sep	83.00	83.50	85.00	83.00
Nov	85.00	85.90	87.75	85.00
Jan	87.85	88.25	90.50	88.90
Mar	89.60	89.60	92.00	90.50
May	89.50	89.50	0	0
Jul	91.90	89.50	0	0

INDICES

REUTERS (Base:September 18 1931 = 100)

Mar.16	Mar.15	mnth ago	yr ago
1776.4	1771.8	1767.5	1620.3

DOW JONES (Base: Dec. 31 1974 = 100)

	Mar.15	Mar.12	mnth ago	yr ago
Spot	125.48	124.66	125.36	117.70
Futures	[illegible]	131.48	125.24	122.40

Chicago

SOYABEANS 5,000 bu min; cents/60lb bushel

	Close	Previous	High/Low	
Mar	580/4	579/4	582/0	578/0
May	581/4	580/4	583/4	579/4
Jul	586/6	585/4	588/4	584/6
Aug	589/0	588/2	590/6	587/4
Sep	590/4	589/4	592/4	589/0
Nov	596/4	595/2	598/0	594/4
Jan	604/4	602/4	605/4	602/4
Mar	612/0	611/0	612/0	610/0

SOYABEAN OIL 60,000 lbs; cents/lb

	Close	Previous	High/Low	
Mar	20.75	20.80	20.75	20.61
May	20.96	20.78	20.98	20.81
Jul	21.19	20.99	21.20	21.05
Aug	21.28	21.08	21.28	21.17
Sep	21.36	21.17	21.40	21.25
Oct	21.40	21.25	21.40	21.35
Dec	21.61	21.35	21.61	21.48
Jan	21.66	21.41	0	0

SOYABEAN MEAL 100 tons; $/ton

	Close	Previous	High/Low	
Mar	179.5	178.8	179.7	178.4
May	181.1	180.7	181.5	180.0
Jul	182.9	182.4	183.5	181.9
Aug	183.8	183.8	184.6	183.3
Sep	185.0	185.1	185.8	184.8
Oct	186.5	186.0	187.0	185.7
Dec	189.6	189.0	190.0	188.7
Jan	189.5	189.3	189.8	189.5

MAIZE 5,000 bu min; cents/56lb bushel

	Close	Previous	High/Low	
Mar	215/2	214/4	216/2	215/0
May	221/0	220/2	222/2	220/6
Jul	227/4	226/6	228/4	227/2
Sep	233/0	232/0	233/6	232/6
Dec	240/2	239/4	241/2	240/2
Mar	247/0	246/2	247/6	247/0
May	250/6	250/0	251/2	250/6
Dec	248/2	247/4	248/4	248/0

WHEAT 5,000 bu min; cents/60lb-bushel

	Close	Previous	High/Low	
Mar	380/6	373/4	381/0	378/0
May	332/2	327/6	333/0	330/0
Jul	304/6	303/4	306/4	303/4
Sep	308/2	307/0	308/4	307/0
Dec	316/4	316/4	318/4	316/0
Mar	321/0	320/4	321/0	321/0

LIVE CATTLE 40,000 lbs; cents/lbs

	Close	Previous	High/Low	
Apr	82.675	82.825	82.875	82.600
Jun	76.675	76.625	76.950	76.650
Aug	73.075	72.900	73.225	72.875
Oct	72.925	72.900	73.175	72.850
Dec	72.925	73.100	73.125	72.925
Feb	72.275	72.450	72.700	72.250
Apr	73.475	73.600	73.700	73.400

LIVE HOGS 40,000 lb; cents/lbs

	Close	Previous	High/Low	
Apr	49.200	49.075	49.775	49.100
Jun	53.750	53.900	54.400	53.700
Jul	51.625	51.750	52.200	51.425
Aug	48.850	49.000	49.350	48.750
Oct	44.450	44.575	45.000	44.400
Dec	45.100	45.425	45.450	45.000
Feb	45.225	45.300	45.400	45.200
Apr	44.200	44.400	0	44.200

PORK BELLIES 40,000 lbs; cents/lb

	Close	Previous	High/Low	
Mar	49.975	47.975	49.975	49.250
May	51.250	49.250	51.250	50.300
Jul	51.700	49.875	51.875	50.700
Aug	49.400	48.150	50.000	48.850
Feb	50.550	51.800	51.800	50.550
Mar	49.100	48.100	0	0

Equities little changed by the close

By Terry Byland,
UK Stock Market Editor

LONDON'S equity market made a cautious response to the Budget speech, which was still in progress at the official close of share trading last night. Initially, equities followed the government bond sector in turning down sharply when Mr Norman Lamont, the UK chancellor of the exchequer, disclosed a substantially higher estimate of Public Sector Borrowing Requirement for 1993-1994 than expected in the City. There was also some disappointment that the chancellor seemed cool on prospects for a cut in UK interest rates in a Budget described by him as "broadly neutral". Concern was voiced regarding the implications for pension funds of the changes in dividend tax credits.

UK share prices, however, soon rallied as the market took aboard the wider implications of the chancellor's taxation proposals and the FT-SE 100 Index ended the session only 3.1 down at 2,919.3.

Among the measures welcomed by the stock market were the chancellor's reduction in North Sea Petroleum Revenue Tax, which brought strong rises in the oil sector in late dealings. But some analysts feared that other energy industry stocks could be hurt by the proposal to impose VAT taxes on domestic fuel bills. Higher taxes on motor fuels, tobacco, betting and beer had been largely expected, but the absence of any increase on spirits duty was well received by shares in distillery and brewery companies.

Some traders felt that the chancellor had been discouraging on prospects for an immediate reduction in domestic interest rates. The lowering of the tax rate relief on mortgages had been foreseen and there was no immediate reaction from share prices.

Equities were drifting lower in virtually stagnant trading conditions when Mr Lamont stood up in the House of Commons. The PSBR statement brought a swift widening in the loss on the FT-SE 100 Index from around 2 points to 14.1, for a reading of 2,908.3. The recovery in shares came equally quickly but there was very little trading as the market trend changed direction.

Seaq trading volume for the day fell to 492m shares. Unwillingness to take positions in the blue chips was indicated by a sharp increase in the percentage of non-Footsie shares to 85 per cent of the overall volume figure. On Monday, Seaq volume of 578.1m shares had a retail value of £1.20bn.

The FT-SE Mid 250 Index, which reflects business in a range of non-Footsie stocks, gained ground during the chancellor's speech to close 6.9 ahead at 3,118.9.

Strategy meetings at London's securities firms last night planned for the opening of the market today. At Strauss Turnbull, Mr Ian Harnett said: "We do not think this Budget will be particularly positive for equities, unless there is an interest rate cut." Further gains in the North Sea stocks are expected, however.

UK traders will also brace themselves ahead of tomorrow's policy meeting at the Bundesbank, when some strategists expect the reduction in key interest rates foreshadowed by the Bundesbank's recent cuts in money market repurchase rates.

On Friday, the UK retail price index for last month will be disclosed and this may yet set the stage for the cut in UK base rates that the stock market wants to see.

TRADING VOLUME IN MAJOR STOCKS

	Volume 000's	Closing Price	Day's change
ASDA Group	11,000	71½	-½
Abbey National	2,500	377	+5
Albert Fisher	304	69	-2
Allied-Lyons	1,100	573	+5
Amstrad	5,600	37½	-½
Anglian Water	68	522	-5
Argos	198	283	-2
Argyll Group	2,200	384	-2
Arjo Wiggins	458	171	-2
Ass. Brit. Foods	574	498	+2
Ass. Brit. Ports	248	402	+5
BAA	1,300	807	+11
BAT Inds.	1,800	973	+17
BET	3,900	100½	+2
BICC	851	373	+7
BOC	812	735	-7
BP	5,600	295	+9
BPB Inds.	2,400	210	
BT	3,800	429	+2
BTR	1,700	603	
Bank of Scotland	541	135	-1
Barclays	3,600	400	+6
Bass	1,700	592	+7
Berisford Int	182	130	
Blue Circle	719	221	+1
Booker	41	428	-1
Boots	1,500	517	+2
Bowater	659	503	-2
Brit. Aerospace	1,700	282	+4
British Airways	5,500	288	-2
British Gas	5,100	300	
British Land	491	263	+7
British Steel	6,800	90	-1
Bunzl	215	130	
Burmah Castrol	235	712	+2
Burton	5,500	76½	
Cable & Wire	3,100	714	+2
Cadbury Schweppes	841	481	-4
Calor Group	246	249	
Carlton Comms.	941	784	-6
Coats Viyella	308	239	-1
Comm. Union	864	619	+12
Cookson	478	188	-4

	Volume 000's	Closing Price	Day's change
Courtaulds	354	588	
Dalgety	1,600	476	-3
De La Rue	285	873	-3
Dixons	889	233	-5
Eastern Elec.	880	468	-9½
East Midland Elec.	574	452	-5
Eng China Clays	2,000	464	+6
Enterprise Oil	614	402	+4
Eurotunnel Units	47	485	+5
FKI	1,100	124½	+½
Fisons	3,200	212	+2
Foreign & Col. IT	483	227	+2
Forte	3,600	281	-4
Gen. Accident	[illegible]	[illegible]	[illegible]
General Elec	[illegible]	[illegible]	[illegible]
Glaxo	[illegible]	[illegible]	[illegible]
Glynwed Int.	[illegible]	[illegible]	[illegible]
Granada	[illegible]	[illegible]	[illegible]
Grand Met.	[illegible]	[illegible]	[illegible]
GUS A	[illegible]	[illegible]	[illegible]
GRE	[illegible]	[illegible]	[illegible]
GKN	[illegible]	[illegible]	[illegible]
Guinness	[illegible]	[illegible]	[illegible]
HSBC (75p shs)	[illegible]	[illegible]	[illegible]
Hammerson "A"	[illegible]	[illegible]	[illegible]
Hanson	[illegible]	[illegible]	[illegible]
Hanson Warrants	[illegible]	[illegible]	[illegible]
Harrisons Crosfield	[illegible]	[illegible]	[illegible]
Hillsdown	[illegible]	[illegible]	[illegible]
IMI	[illegible]	[illegible]	[illegible]
ICI	1,200	1222	-6
Inchcape	800	584	-4
Johnson Matthey	309	452	+7
Kingfisher	797	647	-2
Kwik Save	75	593	+8
Ladbroke	3,100	197	-3
Land Securities	1,900	505	+4
Laporte	1,200	654	-22
Legal & General	504	480	+4
Lloyds Abbey	881	437	+2
Lloyds Bank	2,700	587	-13
LASMO	1,900	186	+5
London Elec.	182	464	-4

	Volume 000's	Closing Price	Day's change
Lonrho	1,700	84	+1
Lucas	1,100	143	-1
MB Caradon	182	331	+1
MEPC	1,400	388	+6
Manweb	58	529	-6
Marks & Spencer	2,600	362	-4
Midlands Elect	155	[illegible]	[illegible]
Morrison (Wm.)	392	167	+9
NFC	194	232	-3
NatWest Bank	3,200	438	
National Power	775	335	-4
Next	1,100	100½	-2
North West Water	380	516	-2
[illegible]	[illegible]	[illegible]	[illegible]
Rolls-Royce	2,300	126	-2
Rothmans	658	641	-15
Ryl Bk Scotland	825	381	-3
Royal Insurance	1,800	311	+6
Saatchi	790	185	+2
Sainsbury	1,500	519	-7
Scottish & New.	1,200	471	+3
Scot. Hydro-Elect.	712	252	-4
Scottish Power	2,700	241½	-3½
Sears	1,800	96	-2
Sedgwick	384	179	-4
Seeboard	87	[illegible]	-7
Severn Trent Water	386	506	-2

	Volume 000's	Closing Price	Day's change
Shell Transport	2,000	580	+2
Siebe	219	481	-1
Slough Ests	186	191	+1
Smith (W.H.) A	1,100	447	+13
Smith & Nephew	1,300	158	
SmKl Beecham	1,600	483	-4
SmKl Beecham Uts.	878	403	-6
Smiths Inds.	154	364	-2
Southern Elec.	705	480	-10
South Wales Elec.	43	551	-2
South West Water	225	544	-3
South West. Elec.	169	502	-4
Southern Water	140	520	-3
[illegible]	[illegible]	[illegible]	[illegible]
Utd. Newspapers	366	536	+3
Vodafone	3,000	407	-10
Warburg (SG)	169	801	-1
Wellcome	1,300	925	-5
Welsh Water	120	585	-1
Wessex Water	165	604	-3
Whitbread 'A'	1,600	484	-8
Williams Hldgs.	2,600	347	-4
Willis Corroon	1,400	200	-8
Wimpey	2,300	136	+10
Wolseley	181	597	+13
Yorkshire Elect.	282	527	-7
Yorkshire Water	75	509	-1

Based on the trading volume for a selection of Alpha securities dealt through the SEAQ system yesterday until 4.30pm. Trades of one million or more are rounded down.

Account Dealing Dates

*First Dealings:	Mar 1	Mar 15	[illegible]
Option Declarations:	Mar 11	Mar 25	Apr 15
Last Dealings:	Mar 12	Mar 26	Apr 16
Account Day:	Mar 22	Apr 5	Apr 26

*New time dealings may take place from 8.30am two business days earlier.

Tax shift boosts oil shares

OIL ISSUES, little changed ahead of the Budget, rose sharply after news that Petroleum Revenue Tax on existing oil fields is being reduced from 75 per cent to 50 per cent from July 1 and that tax on new fields will be abolished.

The market's knee-jerk reaction was that the oil majors, British Petroleum and Shell Transport, would be the main beneficiaries of the Budget changes, closely followed by the exploration and production stocks. BP had jumped 9 to 295p by the close, with turnover totalling 5m shares. Shell, sold down to 571p early in the session, finished a net 2 higher at 580p.

The exploration and production stocks saw initial sluggish performance transformed into good gains across the board. Enterprise Oil settled 4 ahead at 402p and Lasmo, plagued by worries that the dividend may be cut when the preliminary figures are published later this month, gained 5 on balance at 186p.

An analyst commented: "Any reduction in the tax-take from the North Sea, on existing and new fields, has got to be seen as good news for the oil companies." Premier Consolidated, with its raft of small marginal fields in the North Sea, was seen as a big winner from the Budget moves. The shares ended 2¼ up at 29½p.

Owners succeeds

The announcement that Owners Abroad had successfully fended off the £290m bid from its rival tour operator Airtours triggered more hectic activity in the shares as investors took stock of the situation as the dust settled on one of the closest takeover battles in recent times.

The early afternoon announcement had been preceded by continued busy activity in Owners shares as BZW, on behalf of Airtours, was said again to have been bidding for stock. It was later announced that Airtours nominees now control 8.21 per cent of Owners ordinary shares. However, dealers also said that Owners white knight, travel agency Thomas Cook, owned by German travel group LTU, had also been active in the market. One of the first trades of the day yesterday had been struck at 152½p – the price Thomas Cook had paid to secure a large chunk of the 8.4 per cent stake it snapped up in Owners on Monday.

The morning's activity – when 4m shares were traded – underpinned the shares of both protagonists. However, the 3.45pm announcement of Owners' victory prompted a roller-coaster ride in both stocks. Owners immediately tumbled 20 to 118p, before rallying to close at 126p, a fall of 12 on the day. Turnover was moderate by recent sessions at 4.9m. Airtours shares slumped 19 to 319p, then rallied to end the day 11 adrift at 327p. Airtours managed to secure 43 per cent of the shares either through nominees or by pledges of support. Sources close to Airtours were blaming a small number of institutions for switching allegiance at the last moment.

Analysts attached more significance to the fact that Owners and Thomas Cook had built up a strategic stake of more than 10 per cent on Monday. However, most remained positive on both stocks in spite of the result. A combined Airtours/Owners would have probably sparked a price war with market leader Thomson and this prospect has now diminished. Both companies have also reported strong bookings during the takeover battle. In addition, Owners and Thomas Cook are now expected to cement their pre-bid plans for closer ties.

Thorn in demand

Surprisingly bullish figures from the US music industry for last year brought a couple of strong buy reiterations on Thorn EMI, the shares bounding ahead 13 to 872p in chunky turnover of 1.2m. According to US industry figures published yesterday, the value of music sales grew 15 per cent. Leisure specialists had been expecting around 8 per cent growth.

NatWest Securities and Hoare Govett both renewed their buy stances on the stocks. Mr Mark Finnie at NatWest said: "These figures demonstrate the recovery potential of the music industry, and the value inherent in Thorn shares."

Utilities specialists were not taken unawares by the proposal to end zero-rating for VAT on domestic fuel and power, which will be raised in two stages, to 8 per cent from April 1, 1994 and to 17.5 per cent from 1995. Power generators were seen by marketmakers as vulnerable to the news, as were the regional electricity stocks.

But analysts said the domestic customers' initial reaction to the imposition of VAT would be to save fuel. "It is not good but it is manageable," said one utilities analyst, who added that the market had already braced itself to expect some form of windfall profits imposition.

National Power dipped 4 to 335p, as did PowerGen, to 336p, while the "recs" showed Eastern 9½ off at 468p and Southern, the only "rec" in the FT-SE 100 Index, 10 cheaper at 480p.

Water issues were lower across the board but falls were restricted to 5p at the worst. Thames declined that amount to 535p, as did Anglian, to 522p, while Severn Trent eased 2 to 506p.

Several drinks stocks responded well to the chancellor's decision not to increase whisky duty. Analysts said Highland Distilleries would be the best beneficiary as it derives a large proportion of its revenue from the UK. The shares jumped 16 to 286p. Invergordon added 9 at 275p, Guinness 10 at 490p and Allied-Lyons 5 at 573p.

Cider shares reacted with relief that a rumoured tax on the product was not to be levied. Taunton Cider rose 13 to 195p, Merrydown 3 to 273p and Bulmer 10 to 404p.

A couple of large sellers in Whitbread "A" held back the stock and it fell 8 to 484p.

There was further speculative buying of Hammerson and the "A" shares advanced 5 to 386p and the ordinary 15 to 402p. British Land, up 7 at 267p, was again being mentioned as a possible predator.

A "sell" recommendation issued by Credit Lyonnais Laing (CLL) hit Willis Corroon shares, which dropped 8 to 200p. Mr Charles Coyne, CLL's insurance broking specialist said he expected further losses from the troubled Sovereign business as more data on reinsurance recoveries becomes available and that negative cash flow and a stretched balance sheet mean the shares should be sold. Monday's excellent figures continued to boost Jardine Insurance Brokers, which rose 4 to 188p.

Life assurance stocks were said to have been given a push by one of the market's leading securities houses with Legal & General, expected to report sharply higher preliminary profits tomorrow, 4 firmer at 480p. Composites, where the market adopted a much more relaxed view of potential losses arising from the latest storms affecting the east coast of the US, showed General Accident 14 higher at 618p and Commercial Union 12 better at 619p.

The chancellor's moves on stamp duty and his proposal to lower the rate of mortgage tax relief failed to disturb a very strong building materials and construction arena.

George Wimpey shares were up and running from the outset, eventually closing 10 higher at 136p after the group revealed a massive £113m write-down, losses of £112.4m and a halved dividend, but accompanied the news with a bullish view of house sales in the current year.

Other big winners in the sector included Wolseley, 13 stronger at 597p, Tarmac, 6 higher at 118p and Amec, 10 better at 91p.

UK airports operator BAA was in demand, adding 11 at 807p amid speculation that the UK chancellor would approve the £300m Heathrow Airport rail link project in his Budget speech. There had, however, been no mention of the scheme by the time of the market close.

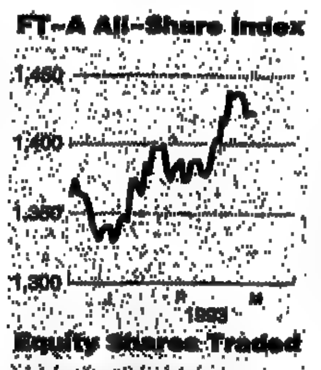
Shares in Simon Engineering had a volatile session as the company announced a steep fall in full-year figures. The shares ended a penny firmer on the day at 114p.

Automotive and engineering products manufacturer BBA Group moved ahead 7 to 171p after announcing the disposal of its 57 per cent stake in Pacific BBA for £59m.

MARKET REPORTERS:
Christopher Price,
Joel Kibazo,
Steve Thompson.

■ Other market statistics, Page 22

FT-A All-Share Index



Equity Shares Traded

Turnover by volume (million). Excluding: intra-market business & Overseas turnover

NEW HIGHS AND LOWS FOR 1992/93

NEW HIGHS (91).
BRITISH FUNDS (1) Treas. 2½pc IL '03, AMERICANS (1) Merrill Lynch, BANKS (2) Bk. Scot. 9¼pc Pf., Do 9⅞pc Pf., BREWERS (3) Bulmer, Greene King, Wetherspoon, BLDG MATLS (2) Sheffield Instns., Wolseley, [illegible] Frogmore Ests., Hambro Countrywide, Land Sec., Letinvest 11¼pc 1st Mtg. Db. '12, Lon. Merchant, Do Defd., Prop. Security, Saville, Slough 8pc Cv. '03, Town Centre, TEXTS (3) Celestion, Dewhirst, Parkland, TRANSPORT (1) Brit. Airways 9¾pc Cv., WATER (1) Mid Kent, MINES (2) Nth. Broken Hill Peko, Sons Gwalia.
NEW LOWS (8).
BLDG MATLS (1) Russell (A), BUSINESS SERVS (1) Reed Executive, ELECTRONICS (1) Standard Platform, ENG GEN (1) SM, HOTELS & LEIS (1) Tomorrows Leis., MISC (1) Stonehill, OIL & GAS (1) Teredo, MINES (1) Mugini.

FINANCIAL TIMES EQUITY INDICES

	Mar 16	Mar 15	Mar 12	Mar 11	Mar 10	Year ago	High	Low
Ordinary share	2273.3	2269.8	2268.0	2294.5	2298.5	1940.8	2299.5	1970.0
Ord. div. yield	4.32	4.32	4.30	4.26	4.24	4.63	5.34	4.23
Earning yld % full	6.07	6.07	6.05	5.99	5.96	6.54	-	-
P/E ratio net	20.53	20.52	20.59	20.80	20.90	19.36	22.01	15.79
P/E ratio nil	18.97	18.97	19.03	19.23	19.32	18.36	-	-
Gold Mines	97.7	96.0	97.6	95.8	94.4	116.0	160.6	60.0

*for 1992/93. Ordinary share index since compilation: high 2299.5 10/3/93 - low 49.4 26/6/40
Gold Mines index since compilation high: 734.7 15/2/83- low 43.5 26/10/71
Basis Ordinary share 1/7/35; Gold Mines 12/9/55.

Ordinary Share hourly changes

Open	9.00	10.00	11.00	12.00	13.00	14.00	15.00	16.00	High	Low
2274.2	2279.5	2276.0	2276.9	2277.2	2277.3	2277.0	2274.8	2268.4	2281.7	2265.1

Volume	Mar 16	Mar 15	Mar 12	Mar 11	Mar 10	Year ago
SEAQ Bargains	32,193	38,937	46,356	43,700	40,321	27,873
Equity Turnover(£m)†	-	1203.5	1541.7	1653.8	1806.2	932.7
Equity Bargains†	-	43,608	51,706	48,184	46,533	31,431
Shares traded (mil)†	-	502.2	701.5	686.6	627.7	402.9

† Excluding intra-market business and overseas turnover.

London report and latest Share Index
Tel. 0891 123001. Calls charged at 36p/minute cheap rate. 48p at all other times.

EQUITY FUTURES AND OPTIONS TRADING

THE ABSENCE from the Budget speech of encouragement for hopes of a cut in UK base rates brought a sudden retreat in the futures, towards the close of a dull and featureless session in the derivatives market, writes Joel Kibazo.

The March contract on the FT-SE started strongly at 2,929, up 8 from its close on Monday, and moved swiftly forward to reach the day's high of 2,935 within half-an-hour of the opening.

There was, however, no follow-through buying as both leading institutions and independent traders remained on the sidelines awaiting the outcome of the Budget. This caused March to drift lower to trade around the 2,925 mark for the next few hours.

It was the lack of any signs of a reduction in base rates that led to a sharp decline in March around 20 minutes before the official close, leaving it to test the 2,900 level. It proved to be a resistance point and the contract bounced to finish at 2,909, a 4-point discount to the underlying cash market, with turnover reaching a meagre 6,936 lots.

Further dealings in after-hours' trading, however, saw the contract drop through the 2,900 barrier.

There was very little action in the traded options and volume was only 23,072 contracts. Some 8,406 lots were dealt in the FT-SE 100 option and 2,386 in the Euro FT-SE 100 option. Amstrad was the busiest stock option with 2,001 lots traded.

FT-SE Actuaries Share Indices — THE UK SERIES

FT-SE 100	FT-SE MID 250	FT-A ALL-SHARE
2919.3 −3.1	3118.9 +6.9	1424.79 −0.16

	Mar 16	Day's change %	Mar 15	Mar 12	Mar 11	Year ago	Earnings yield %	Dividend yield %	P/E Ratio	Xd adj ytd
FT-SE 100	2919.3	−0.1	2922.4	2915.9	2953.4	2491.2	6.20	[illegible]	20.62	19.96
FT-SE Mid 250	3118.9	+0.2	3112.0	3099.5	3121.8	2466.7	6.62	4.07	19.11	12.87
FT-SE-A 350	1442.4	—	1442.9	1439.1	1455.8	1211.2	6.29	4.13	20.27	8.99
FT-SE SmallCap	1564.69	+0.2	1561.21	1562.01	1567.76	—	5.20	[illegible]	26.83	7.33
FT-SE SmallCap ex Inv Trusts	1573.22	+0.3	1569.10	1569.12	1572.72	—	5.77	4.30	24.80	6.60
FT-A ALL-SHARE	1424.79	—	1424.95	1421.34	1437.25	1197.76	6.23	4.12	20.57	8.75
1 CAPITAL GOODS(211)	956.22	+0.5	951.76	946.83	952.57	798.25	5.82	4.40	22.48	6.70
2 Building Materials(27)	979.87	+1.4	966.72	944.64	942.27	952.09	5.29	[illegible]	26.17	1.15
3 Contracting, Construction(29)	822.47	+1.9	807.09	806.94	810.33	890.87	2.92	5.85	80.00†	3.51
4 Electricals(14)	2744.78	+0.9	2719.10	2699.05	2738.59	2462.51	5.32	5.29	24.76	4.67
5 Electronics(35)	2606.26	+1.0	2579.41	2543.13	2580.68	1841.51	6.12	3.26	20.88	15.46
6 Engineering-Aerospace(7)	356.64	−0.4	358.00	354.91	360.99	340.57	9.92	4.28	12.84	1.03
7 Engineering-General(52)	566.43	−0.1	567.22	563.82	566.30	498.50	6.98	4.06	[illegible]	2.92
8 Metals & Metal Forming(11)	392.26	+0.3	390.97	385.67	387.31	335.04	4.43	3.35	32.85	0.55
9 Motors(16)	399.56	+0.3	398.50	401.79	404.70	316.22	5.26	5.09	27.00	4.09
10 Other Industrials(18)	2097.70	−0.1	2100.54	2116.55	2125.20	1613.03	5.65	[illegible]	21.72	27.78
21 CONSUMER GROUP(232)	1733.26	−0.3	1739.34	1733.56	1749.18	1628.39	6.78	3.47	18.34	7.75
22 Brewers and Distillers(26)	2035.54	+1.0	2016.20	1989.69	2001.52	2047.44	8.27	3.73	14.74	10.46
25 Food Manufacturing(22)	1438.69	−0.5	1446.49	1452.09	1466.43	1254.33	7.24	3.73	17.25	5.62
26 Food Retailing(16)	3294.23	−0.6	3312.90	3288.37	3306.73	2574.61	7.72	3.19	16.86	2.51
27 Health & Household(29)	3795.26	−1.2	3841.53	[illegible]	3916.36	4162.60	6.11	3.15	18.95	22.51
29 Hotels and Leisure(20)	1336.51	−0.2	1339.74	1329.60	1338.58	1292.85	6.00	5.15	22.30	14.46
30 Media(33)	1871.96	−0.3	1877.68	1880.95	1896.16	1522.21	5.51	2.90	22.56	10.03
31 Packaging and Paper(23)	849.65	−0.2	851.12	846.36	852.23	745.15	6.34	3.88	19.46	0.93
34 Stores(39)	1163.48	−0.4	1167.98	1161.46	1169.66	1040.75	6.22	3.13	21.32	3.02
35 Textiles(20)	806.20	−0.2	807.68	802.99	806.38	653.38	6.11	4.01	20.74	2.69
40 OTHER GROUPS(142)	1521.83	−0.1	1522.99	1523.90	1543.79	1195.82	8.03	4.38	15.36	7.42
41 Business Services(27)	1663.11	+0.3	1658.20	1646.95	1674.74	1354.40	5.39	3.11	22.88	0.66
42 Chemicals(23)	1526.78	−0.6	1535.70	1568.38	1571.12	1460.38	5.75	4.81	22.06	19.93
43 Conglomerates(11)	1460.25	—	1460.21	1471.01	1494.74	1349.88	7.13	[illegible]	15.85	13.31
44 Transport(16)	2961.91	+0.6	2946.14	2932.37	2965.11	2348.01	7.22	4.02	16.75	7.23
45 Electricity(16)	1719.82	−1.2	1740.98	1737.41	1755.48	1143.98	12.60	4.42	10.20	16.54
46 Telephone Networks(4)	1758.91	+0.1	1756.88	1749.60	1785.26	1360.06	7.49	3.89	17.40	1.63
47 Water(13)	3548.50	−0.4	3563.16	3567.10	3600.35	2315.81	12.73	5.00	8.73	11.83
48 Miscellaneous(32)	2476.64	+0.7	2460.07	2445.98	2474.50	1613.83	6.54	4.36	19.06	2.44
49 INDUSTRIAL GROUP(585)	1478.13	−0.1	1479.67	1476.25	1490.80	1262.49	7.03	3.95	17.78	7.51
51 Oil & Gas(18)	2437.49	+1.2	2409.07	2398.91	2435.98	2032.18	5.89	5.23	22.09	23.60
59 "500" SHARE INDEX(603)	1565.26	—	1564.77	1560.85	1577.14	1352.51	6.91	4.09	18.14	8.72
61 FINANCIAL GROUP(89)	[illegible]	−0.3	985.30	981.87	998.85	700.31	3.10	4.82	61.38	9.20
62 Banks(9)	1324.66	−1.2	1340.16	1341.34	1369.18	881.03	4.70	4.26	31.61	17.16
65 Insurance (Life)(6)	2048.73	+1.1	2027.02	2012.35	2043.25	1410.01	2.47	4.45	71.40	2.10
66 Insurance (Composite)(7)	666.44	+1.2	658.78	653.65	657.46	439.64	‡	4.96	‡	7.39
67 Insurance Brokers(10)	830.98	−1.7	845.06	829.33	845.30	990.74	7.07	5.02	19.08	7.61
68 Merchant Banks(6)	607.79	−0.1	608.14	609.56	612.88	447.70	6.97	3.77	18.87	2.52
69 Property(28)	777.41	+1.2	767.86	754.19	756.80	898.61	7.21	6.39	17.94	1.35
70 Other Financial(23)	346.50	—	346.80	347.04	349.36	239.07	6.33	5.00	20.75	1.81
71 Investment Trusts(107)	1459.00	+0.1	1458.05	1460.18	1478.29	1169.96	2.28	2.99	43.81	9.17
99 FT-A ALL-SHARE(782)	1424.79	—	1424.95	1421.34	1437.25	1197.76	6.23	4.12	20.57	8.75

Hourly movements

	Open	9.00	10.00	11.00	12.00	13.00	14.00	15.00	15.10	High/day	Low/day
FT-SE 100	2924.5	2927.8	2920.3	2923.2	2924.4	2925.0	2923.8	2921.5	2913.3	2930.4	2908.3
FT-SE Mid 250	3115.3	3116.7	3114.8	3116.6	3118.8	3119.9	3120.5	3119.8	3116.0	3122.6	3114.6
FT-SE-A 350	1444.0	1445.4	1442.4	1443.6	1444.3	1444.7	1444.3	1443.3	1439.6	1446.5	1437.8

Gross dividend yield (ACT at 25%) FT-SE 100: 4.14%

FT-SE Actuaries 350 Industry Baskets

Hourly	Open	9.00	10.00	11.00	12.00	13.00	14.00	15.00	15.10	Close	Previous close	Change
Construction	1580.0	1578.0	1578.5	1574.4	1575.4	1581.4	1585.0	1588.4	1596.2	1599.2	1563.5	+35.7
Health & H	1157.2	1157.5	1164.1	1152.6	1152.1	[illegible]	1148.6	1143.8	1140.0	1143.2	1157.8	-14.6
Water	1473.1	1472.5	[illegible]	1464.8	1464.7	1465.6	1465.8	1468.2	1465.6	1466.8	1473.1	-6.3
Banks	1623.7	1623.0	1616.9	1616.7	1619.5	1618.9	[illegible]	1614.9	1604.3	[illegible]	1628.2	-19.0

Additional information on the FT-SE Actuaries Share Indices is published in Saturday issues. Lists of constituents are available from The Financial Times Limited, One Southwark Bridge, London SE1 9HL. The FT-SE Actuaries Share Indices Service, which covers a range of electronic and paper-based products relating to these indices, is available from FINSTAT at the same address.
The increase in the size of the FT-Actuaries All-Share Index from January 4 1993 means that the FT 500 now contains more stocks. It has been renamed the FT "500". † Sector P/E ratios greater than 80 are not shown. ‡ Values are negative.
The FT-SE 100, the FT-SE Mid 250 and the FT-SE Actuaries 350 Indices are compiled by the London Stock Exchange and the FT-Actuaries All-Share Index is compiled by The Financial Times Limited, both in conjunction with the Institute of Actuaries and the Faculty of Actuaries under a standard set of ground rules.
The FT-SE Actuaries Share Indices are audited by The WM Company.

LONDON SHARE SERVICE

BRITISH FUNDS

Notes	Price £	+ or −	1992/93 high	1992/93 low	Yield Int.	Yield Red.
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

BRITISH FUNDS - Cont.

Notes	Price £	+ or −	1992/93 high	1992/93 low	Yield Int.	Yield Red.
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

BRITISH FUNDS - Cont.

Notes	Price £	+ or −	1992/93 high	1992/93 low	Yield (1)	Yield (2)
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

OTHER FIXED INTEREST

Notes	Price £	+ or −	1992/93 high	1992/93 low	Yield Int.	Yield Red.
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

Continued on next page

AMERICANS

	Notes	Price £	+ or -	1992/93 high	low	Mkt Cap£m	Yld Gr's
Abbott Labs		18⅞xd	-⅛	21⅛	14⅝	15,378	2.5
Allegheny & W	♥	571p	+12	571p	228p	288.7	3.6
Amdahl		550p	—	1159p	438p	627.8	1.2
Amer Cyanamid		38	+¼	38⅝	28⅞	3,245	3.2
Amer Express		16¾xd	-⅛	18½	10¼	8,862	3.7
Amer T & T		40⅛xd	+⅛	40⅞	30⅛	53,362	2.3
Ameritech		51½	+⅝	52¾	32½	22,548	4.9
BankAmerica		35¼xd	-1¼	38⅛	19⅛	12,490	2.7
Bankers NY		50½xd	+⅛	51⅞	28⅝	4,853	4.3
Bell Atlantic		36½	-⅞	39⅛	23⅛	16,001	4.9
BellSouth		37½	—	38⅞	25	18,611	5.1
Bethlehem Steel	♥	12⅝xd	+⅛	13¾	6¾	1,142	–
Bowater		1676pxd	—	1682p	905p	607.3	1.6
CPC	h	33⅝xd	-⅜	34⅝	22⅜	6,093	2.5
Cadiz Land Inc	♥	115p	—	342p	108p	–	–
California Engy		1478p	+44	1478p	581p	209.3	–
Chase Manhattan		23⅞xd	-⅛	24½	9⅝	3,678	3.4
Chrysler		27¼xd	+½	28⅞	6¾	7,978	1.5
Citicorp		19¾xd	-⅛	20⅛	6⅝	7,219	–
Colgate-Palm		44⅝xd	-⅜	45⅝	25¼	7,128	1.9
Cont'l Bank		1765p	-4	1798p	499p	1,783	2.3
Dana		31⅝xd	-⅞	34⅛	14⅛	1,458	3.6
Data General		834p	—	1094p	384p	257.7	–
Decora Inds	♥	146p	—	146p	66p	–	–
Dun & Brad		41⅞	-⅛	42⅞	27⅝	7,371	3.8
Eaton		58¾	-⅛	59⅝	32½	2,891	2.8
Echlin		17⅞xd	+⅛	18⅞	7⅞	1,810	2.7
FPL		25⅞xd	-⅛	27⅝	17⅞	4,712	6.6
Ford Motor		33⅞	+⅛	35⅛	15	16,604	2.0
Gen Elect		59⅞xd	-½	61¼	36¾	51,135	2.9
General Host	♥	649p	-13	723p	360p	–	3.8
Gillette		42⅞xd	-⅛	42⅞	23⅛	9,325	1.2
Hasbro		20⅞	—	23½	12⅜	1,815	0.8
Honeywell		22½xd	—	24⅜	16	3,093	2.7
Houston Inds		32⅛	-⅛	33¾	22	4,180	6.4
IBM		38⅛xd	-½	54½	29⅝	21,753	3.9
Ingersoll-Rand		22⅛xd	-⅜	25	12⅛	2,357	2.1
Lockheed		42⅛	-¼	42½	22⅞	2,584	3.5
Lowe's	h	2137p	-80	2251p	815½p	1,559	0.9
[illegible]							

CANADIANS

[illegible]

BANKS

[illegible]

BREWERS & DISTILLERS

[illegible]

BUILDING MATERIALS

[illegible]

BUILDING MATERIALS - Cont.

	Notes	Price	+ or -	1992/93 high	low	Mkt Cap£m	Yld Gr's	P/E
Tilon								
Travis Perkins								
Tudor								
Unigroup								
Wassall								
Wickes								
Wolseley								

BUSINESS SERVICES

ADT $ … Adam & Harvey … Air London … African Lakes … Auto'ted Sec … BET … BNB Res … BPP … Barbour Index … Boustead … Bridgend … Brit Data Mgmt … Brooks Service … CRT … Capita … Caskat … Chiltern Capital … Christie Group … Chubb Sec … Comac … Corp Serv … Dart … Davis Service … EW Fact … Gardner … Gardner OC … [illegible]

CHEMICALS

[illegible]

CONGLOMERATES

[illegible]

CONTRACTING & CONSTRUCTION

[illegible]

ELECTRICALS

[illegible]

ELECTRICITY

[illegible]

ELECTRONICS

[illegible]

ENGINEERING-AEROSPACE

[illegible]

ENGINEERING-GENERAL

[illegible]

ENGINEERING-GENERAL - Cont.

[illegible]

FOOD MANUFACTURING

[illegible]

FOOD RETAILING

[illegible]

HEALTH & HOUSEHOLD

[illegible]

HOTELS & LEISURE

[illegible]

HOTELS & LEISURE - Cont.

[illegible]

INSURANCE BROKERS

[illegible]

INSURANCE COMPOSITE

[illegible]

INSURANCE LIFE

[illegible]

INVESTMENT TRUSTS

Authorised by the Inland Revenue

[illegible]

INVESTMENT TRUSTS - Cont.

[illegible]

LONDON SHARE SERVICE

INVESTMENT TRUSTS - Cont.

[illegible]

Net asset values supplied by ... Securities Limited as a guide only. See guide to London Share Service.

INVESTMENT COMPANIES

[illegible]

Net asset values supplied by ... Securities Limited as a guide only. See guide to London Share Service.

MEDIA

[illegible]

MERCHANT BANKS

[illegible]

METALS & METAL FORMING

[illegible]

MISCELLANEOUS

[illegible]

MOTORS

[illegible]

OIL & GAS

[illegible]

OIL & GAS - Cont.

[illegible]

OTHER FINANCIAL

[illegible]

OTHER INDUSTRIALS

[illegible]

PACKAGING, PAPER & PRINTING

[illegible]

PACKAGING, PAPER & PRINTING - Cont.

[illegible]

PROPERTY

[illegible]

STORES

[illegible]

TELEPHONE NETWORKS

[illegible]

TEXTILES

[illegible]

TRANSPORT

[illegible]

WATER

[illegible]

SOUTH AFRICANS

[illegible]

PLANTATIONS

[illegible]

MINES

[illegible]

MINES - Cont.

[illegible]

GUIDE TO LONDON SHARE SERVICE

Company classifications are based on those used for the FT-Actuaries Indices and FT-Actuaries World Indices.

Closing mid-prices are shown in pence unless otherwise stated. Highs and lows are based on intra-day mid- prices.

Where stocks are denominated in currencies other than sterling, this is indicated after the name.

Symbols referring to dividend status appear in the notes column daily as a guide to yields and P/E ratios. Dividends and Dividend covers are published on Monday.

Market capitalisation shown is calculated separately for each line of stock quoted.

Estimated price/earnings ratios are based on latest annual reports and accounts and, where possible, are updated on interim figures. P/Es are calculated on "net" distribution basis, earnings per share being computed on profit after taxation, excluding exceptional profits/losses and unrelieved ACT where applicable. Yields are based on mid-prices, are gross, adjusted to ACT of 25 per cent and allow for value of declared distribution and rights.

Estimated Net Asset Values (NAVs) are shown for Investment Trusts, in pence per share, along with the percentage discounts (Dis) or premiums (Pm -) to the current pre-closing share price. The NAV basis assumes prior charges at par value, convertibles converted and warrants exercised if dilution occurs.

- □ Indicates the most actively traded stocks. This includes UK stocks where transactions and prices are published continuously through the Stock Exchange Automated Quotation system (SEAQ).
- ● "Tap Stock"
- * Highs and lows marked thus have been adjusted to allow for rights issues for cash
- † Interim since increased or resumed
- ‡ Interim since reduced, passed or deferred
- ‡‡ Tax-free to non-residents on application
- ♦ Figures or report awaited
- ♦ Not officially UK listed; dealings permitted under rule 535(4)(a)
- ♣ Free annual/interim report available, see details below.
- ✤ USM; not listed on Stock Exchange and company not subjected to same degree of regulation as listed securities.
- †† Not officially UK listed; dealings permitted under Rule 535(2)
- ¶ Price at time of suspension
- ¶ Indicated dividend yield after pending scrip and/or rights issue.
- ♦ Merger bid or reorganisation in progress
- § Forecast dividend yield; p/e based on earnings updated by latest interim statement.
- ♠ Unregulated collective investment scheme.

a Yield based on annualised dividend
b Figures based on prospectus or other official estimates.
c Cents.
f Flat yield.
g Assumed dividend yield after rights issue.
h Assumed dividend yield after scrip issue.
n Rights issue pending
q Earnings based on preliminary figures.
s Dividend yield excludes a special payment.
t Indicated dividend yield, p/e ratio based on latest annual earnings.
u Forecast, or estimated annualised dividend yield, p/e based on previous year's earnings
v Not subject to ACT.
z Dividend yield includes a special payment
E Auction basis
F Yield based on prospectus or other official estimates for 1994-95.
G Assumed yield after pending scrip and/or rights issue.
H Yield based on prospectus or other official estimates for 1993.
K Yield based on prospectus or other official estimates for 1992-93
L Estimated annualised yield, p/e based on latest annual earnings.
M Yield based on prospectus or other official estimates for 1993-94.
N Yield based on prospectus or other official estimates for 1992.
P Figures based on prospectus or other official estimates for 1994.
R Forecast annualised yield, p/e based on prospectus or other official estimates.
T Figures assumed.
W Pro forma figures.
Z Dividend yield to date.

Abbreviations: xd ex dividend; xc ex scrip issue; xr ex rights; xa ex all; xt ex capital distribution.

This service is available to companies whose shares are regularly traded in the United Kingdom for a fee of £1235 a year for each security shown, subject to the Editor's discretion

FT Annual Reports Service

You can obtain the current annual/interim report of any company annotated with ♣. Ring +44 81-643 7181 (open 24 hours including weekends) or fax +44 81-770 0544, quoting the code FT7738. Reports will be sent the next working day, subject to availability. Please remember to state the weekly changing code above.

FT Cityline

Real time share prices and other stock market information is available through the FT Cityline International telephone service.
Annual subscription £250.00 stg.
Call +44 71-925 2128 for more details.

FT MANAGED FUNDS SERVICE

• Current Unit Trust prices are available from FT Cityline. For further details call (071) 873 4378.

AUTHORISED UNIT TRUSTS

AIB Unit Trust Managers Limited (1000)F

AXA Equity & Law Unit Tst Mngrs (1200)H

Abbey Unit Tst Mngrs (1000)H

Britannia Life Unit Managers Ltd (1200)F

Brown Shipley & Co Ltd (1000)F

Brycourt Unit Tst Mgmt Ltd (1400)F

[illegible]

Guide to pricing of Authorised Unit Trusts

Compiled with the assistance of Lautro

INITIAL CHARGE: [illegible]

OFFER PRICE: [illegible]

BID PRICE: [illegible]

CANCELLATION PRICE: [illegible]

TIME: [illegible]

HISTORIC PRICING: [illegible]

FORWARD PRICING: [illegible]

SCHEME PARTICULARS AND REPORTS: [illegible]

Other explanatory notes are contained in the last column of the FT Managed Funds Service.

[illegible]

FT MANAGED FUNDS SERVICE

● Current Unit Trust prices are available from FT Cityline. For further details call (071) 873 4378.

	Init Chge	Canc. Price	Bid Price	Offer Price	+ or -	Yield Gr's
Sharp (Albert E.) & Co (1000)F						
Admin 5 Rayleigh Rd Hutton, Brentwood Essex						
Enquiries 0277 227300 Dealing 0277 261010						
AES European	5	109.10	109.80	115.60	-0.40	1.30
AES Intl Bond & Con	5	127.50	127.80	134.50	-0.30	5.48
AES Pocket Pension ‡	7	£156.6	160.6	171.9		-
AES Smaller Cos	5	61.48	63.45	66.79	+0.18	1.90
AES UK General	5	118.40	120.40	126.70	-0.50	2.72
Sheppards Unit Trust Mngmt Ltd (1200)F						
1 White Hart Yard, London Bridge SE1 071 407 5966						
Income	5	392.2	392.2	417.25	+1.59	4.96
Global Inc	5	58.06	58.06	61.76	-0.12	3.95
Brit Leaders	5	321.87	321.87	342.41	+0.19	2.99
Intl Leaders	5	192.34	192.34	204.62	-0.64	1.61
Pns Man Bal Gwth Inc ¶	1¼	53.71	54.99	57.13	-0.03	2.98
Singer & Friedlander UT Mgmt Ltd (2000)F						
PO Box 224, Beckenham, BR3 4TF 081-663 3003						
European Trust	6	53.40	53.55	56.96	-0.12	1.32
Far Eastern Tst	6	55.74	56.57	60.118	-0.13	0.86
Smaller Cos	5	142.1	146.8	156.21	...	1.86
Smith & Williamson Unit Tst Mgrs (1600)F						
1 Riding House St, London W1A 3AS 071-637 5377						
S & W American ‡	5	282.7	283.3	299.8	-1.40	0.74
S & W Capital	5	117.5	117.5	125.8	+0.10	1.90
S & W Cash ‡	0	102.74	102.74	102.74	+0.01	5.69
S & W European	5	117.2	117.3	124.0	+0.70	1.96
S & W Far Eastern	5	122.2	123.4	130.5	-2.70	0.00
S & W Growth	5	124.9	126.4	133.7	+1.00	1.30
S & W Income	5	111.6	112.8	119.3	-0.30	4.90
S & W Magnum	5	124.2	124.2	133.1	+0.10	1.79
S & W Smllr Secs	5	305.4	311.3	329.4	-0.80	0.82
S & W Thoroughbred	5	144.0	144.0	154.2	+0.30	1.80
Societe Generale Touche Remnant (1200)F						
Mermaid Hse, 2 Puddle Dock, EC4V 3AT 071-410 4029						
American Gwth	5¼	85.20	85.20	91.12	(u)	0
Eur Sp Sits Acc	5¼	46.28	46.28	49.31	(u)	0
Eur Sp Sits Inc	5¼	43.71	43.71	46.57	(u)	0
Far East Opps Inc	5¼	29.57	29.57	31.86	(u)	0
Far East Opps Acc	5¼	30.38	30.38	32.74	(u)	0
General Growth	5¼	98.71	98.71	105.70	(u)	2.36
General Growth Acc	5¼	101.20	101.20	108.40	(u)	2.37
Global Tech	5¼	120.80	120.80	130.40	(u)	0
Income Growth	5¼	98.70	98.70	106.10	(u)	3.84
Income Growth Acc	5¼	100.60	100.60	108.10	(u)	3.92
Income Monthly	5¼	56.73	56.73	60.67	(u)	5.19
Japan Growth	5¼	69.04	69.04	73.44	(u)	0
Overseas Growth	5¼	74.24	74.24	79.05	(u)	0
Smaller Cos	5¼	69.65	69.65	74.89	(u)	1.68
Special Opps	5¼	97.46	97.46	104.70	(u)	2.00
Wwde Sp Sit Acc	5¼	45.02	45.02	48.46	(u)	0
Wwde Sp Sit Inc	5¼	44.92	44.92	48.35	(u)	0
SGTR Pension Portfolio						
American Growth	6	51.02	51.84	54.95	(u)	-
Eur Sp Sits	6	37.20	37.65	39.91	(u)	-
General Growth	6	36.49	37.13	39.36	(u)	-
Global Tech	6	47.29	48.50	51.41	(u)	-
Income Growth	6	33.12	33.82	35.85	(u)	-
Japan Growth	6	21.61	21.84	23.15	(u)	-
Overseas Growth	6	32.25	32.62	34.58	(u)	-
Smaller Cos	6	17.95	18.34	19.44	(u)	-
Special Opps	6	22.39	22.86	24.23	(u)	-
Stlg Liquidity	6	34.91	34.91	36.34	(u)	-
Wwide Sp Sits	6	36.59	37.42	39.67	(u)	-
Sovereign Unit Tst Mngrs Ltd (1000)F						
12 Christchurch Rd, Bournemouth 0202 298422						
Cash	1	50.41	50.41	50.91	+0.02	6.5
Cntrfld Prfmnce	5½	56.14	56.52	60.28	+0.04	7.9
Ethical	5½	51.74	52.83	56.20	+0.10	4.4
European Growth	5½	57.88	58.10	61.97	+0.11	2.8
Income	5½	52.32	52.82	56.34	+0.02	6.2
Intl Growth	5½	78.50	78.88	84.13	+0.07	2.8
Managed	5½	69.39	70.10	74.77	+0.05	3.6
UK Growth	5½	56.02	56.49	60.46	-0.01	4.9
Standard Life Tst Mgmt Ltd (0730)H						
3 George St, Edinburgh EH2 2XZ 0800 393777						
Managed Acc	5¼	43.41	43.41	46.13	+0.1	1.80
UK Equity Gth Acc	5¼	57.63	58.64	62.31	+0.3	1.23
UK Eq High Inc Inc	5¼	34.62	34.62	36.79	-0.1	3.89
UK Eq High Inc Acc	5¼	40.55	40.55	43.09	-0.1	3.89
UK Equity Gen Acc	5¼	54.46	55.46	58.93	+0.2	2.33
UK Equity Gen Inc	5¼	41.90	42.26	44.91	+0.2	2.33
UK Larger Cos Acc F	7½	369.3	374.1	406.0	+1.5	3.79
UK Larger Cos Inc F	7½	287.2	290.9	315.7	+1.2	3.79
Gilt & Fxd Int Inc	5¼	30.98	31.06	32.85	+0.1	6.51
Il'nal Larg Cos Acc F	7½	259.8	264.1	286.6	-1.1	1.67
Nth American Acc	5¼	45.47	45.76	48.62	+0.1	0.72
Far East Acc	5¼	48.92	48.92	51.98	-0.9	0.35
European Acc	5¼	41.36	41.36	43.95	+0.2	1.28
State Street Unit Trust Mngmt Ltd (1200)F						
20 Birchin Lane, London EC3V 9AQ 071-626 1599						
Global A	5¼	[illegible]	3.402	3.614	...	1.11

OTHER UK UNIT TRUSTS

	Bid Price	Offer Price	+ or -	Yield Gross
Baillie Gifford & Co Ltd				
Inv I Exmt Mar 3	1655.2	680.1	...	2.02
Baring Investment Mngmt Ltd				
155 Bishopsgate, London EC2M 3XY				
071 214 1050 (general enquiries) 071 214 1004 (dealing)				
Charitable Funds				
UK Growth & Income	54.16	56.18	...	5.6
Income Pfrs	51.29	52.36	...	7.4
James Capel Fund Managers Ltd				
European Exempt	£111.282	112.538	-0.699	2.47
Japanese Exempt	£118.738	120.63	-0.774	-
Managed Exempt	£131.322	130.89	+0.015	3.09
North American Exempt	£106.466	108.17	-0.552	1.11
Pacific Exempt	£113.347	115.20	+0.92	2.92
Cent. Bd. of Fin. of Church of England‡‡				
2 Fore Street, London EC2Y 5AQ 071-588 1815				
Inv Fund Feb 28	604.15	609.40	...	4.74
Fxd Int Sec Feb 28	155.70	156.45	...	9.27
Deposit Fund. See Money Market Trust Funds.				
Charinco/Charishares‡‡ (1000)F				
33 King William Street, EC4R 9AS 071-280 2800				
Charinco Inc	178.2	180.34	...	9.10
Charinco Acc	1069	1082	...	9.10
Charishare Inc	192.9	198.9	-0.18	4.16
Charishare Acc	251.4	256.7	...	4.16
CAFINVEST–Charities Aid Foundation				
48 Pembury Rd, Tonbridge TN9 2JD 0732 771333				
Balanced Growth	66.86	68.81	...	3.63
Income	60.81	62.05	...	7.69
COIF–Charities Official Inv Fdt‡				
2 Fore Street, London EC2Y 5AQ 071-588 1815				
Income Feb 28	596.47	600.35	...	4.98
Accum Feb 28	2297.98	2316.48	...	-
Fixed Int Income Feb 28	127.15	127.21	...	9.12
Fixed Int Accum Feb 28	166.55	166.88	...	-
Deposit Account. see Money Market Trust Funds				
Charity Fixed Int Fd/Charity Equity Fd				
33 Gutter Lane EC2V 8AS 071-382 6900 (Gen Enquiries) 071-382 3919 (Dealing)				
Charity Equity Inc	119.34	122.12	+0.26	3.70
Charity Equity Acc	122.66	125.51	+0.26	3.70
Charity Fixed Int Inc	108.30	109.52	+0.02	8.50
Charity Fixed Int Acc	110.39	111.63	+0.01	8.50
Edinburgh Fund Mngrs PLC				
Exempt Funds				
Managed Mar 17	167.2	174.3	-0.8	2.01
Japan Mar 11	95.48	98.04	+4.83	0.51
Sm Jap Cos Mar 12	474.5	482.5	+15.8	0.10
Latin American Mar 16	121.0	127.0	+3.5	0.39
Fidelity Investment Services Ltd				
Exempt American Portfolio	143.2	145.7	-0.80	0.80
Mngd Pens P'folio	167.9	172.6	...	0.80
Fledgeling Charity Portfolio				
25 Copthall Avenue EC2R 7DR 071-638 5858				
UK Equity	£1.1349	1.1749	-0.0082	3.74
Bond	£1.0595	1.0644	+0.0022	8.69
Robert Fleming Asset Mngmt Ltd				
Am Exempt	£656.86	666.48	-2.64	1.50
Gen Exempt	£150.75	153.98	-1.42	3.47
Jap Exempt	£480.11	486.67	-1.29	1.18
Pacific Exempt	£142.58	146.09	-0.15	2.00
Contl Euro Exempt	£120.30	122.64	-1.04	2.37
Indexed Exempt Mar 11	£149.36	153.31	...	3.75
Amer Index Exmt Mar 11	£148.27	149.75	...	2.50
Japan Index Exm Mar 11	£66.20	67.54	...	1.02

	Init Chge	Canc. Price	Bid Price	Offer Price	+ or -	Yield Gr's
Whittingdale Unit Tst Mgmt Ltd (0830)F						
2 Honey Lane, London EC2V 8BT 071-600 0462						
Challenger	7¼	94.73	94.73	96.93	-0.68	0.00
Short Dtd Gilt	1¼	110.7	110.7	112.1	-0.10	3.50
U S Govmnt Bond	1½	$0.7189	0.7189	0.7282	-0.002	0.00
Gilt Income	4	52.61	52.61	54.74	-0.02	8.00
Gilt Growth	4	66.65	66.65	69.36		0.00
City Reserve	0	52.34	52.34	52.34	+0.01	5.83
Woolwich Unit Trust Managers Ltd (1700)H						
2 Watling Oak Square, Swanley BR8 7AG 081 2984000						
Stockmarket Fd F	5	66.40	66.62	70.87	-0.09	2.17

	Bid Price	Offer Price	+ or -	Yield Gross
Crown Financial Management Ltd				
Crown Hse, Woking GU21 1XW 0483 715033				
Life Funds				
American Acc	125.1	131.6	-1.2	-
Equity Acc	713.6	751.1	+0.6	-
European Acc	214	225.2	-1.1	-
Fixed Interest Acc	344.4	362.5	-0.3	-
High Income Acc	672.9	708.3	+1.8	-
Intnl Acc	451.6	475.3	-3.1	-
Inv Trust Acc	650.4	684.6	+0.3	-
Japanese Acc	212.6	223.7	-1.4	-
Managed Acc	523.6	551.1	-0.5	-
Money Acc	285.1	300.1	+0.1	-
Guardian Royal Exchange				
Royal Exchange, EC3 071-283 7101				
Guardian Assurance				
Property Bonds	635.4	661.9	...	-
Choices With-Pfts Lg-mi	145.6	153.2	...	-
Choices With-Pfts Sg-mi	134.9	142.0	...	-
Choices Managed	187.4	197.3	+0.8	-
Choices Equity	188.8	198.7	+1.5	-
Freedom With Pfts Long-Inv	116.2	122.3	...	-
Freedom With Pfts Shrt-Inv	114.2	120.2	...	-
Freedom Managed	124.7	120.8	+0.4	-
Freedom Equity	107.8	113.5	+0.4	-
GRE Linked Life Assurance Ltd				
Legal & General – Contd.				
Exempt Fixed Int	518.4	545.7	+0.1	-
Do Accum	870.8	916.7	+0.1	-
Ex. Index Lnk Gilt	148.9	156.8	...	-
Do Accum	213.7	225.0	...	-
Exempt Intl Initial	240.9	253.6	-0.9	-
Do Accum	363.0	382.2	-1.4	-
Exempt Mngd Init	712.9	750.5	...	-
Do. Accum	1197.5	1260.6	-0.1	-
Exempt N. Amer Init	246.4	259.4	-2	-
Do. Accum	318.3	335.1	-2.7	-
Exempt Prop. Init	278.6	293.3	+0.1	-
Do. Accum	468.0	492.7	+0.1	-
Midland Life Limited				
Norwich Hse, Commercial Rd, Southampton 0703 229929				
Adventurous Fd	69.5	73.2	-0.3	-
Balanced Fd	75.0	79.0		-
Defensive Fd	74.3	78.3	...	-
Secure Fd	69.4	73.1		-
UK Equity Fd	83.2	87.6	+0.3	-
International Fd	70.7	74.5	-0.3	-
Money Market Fd	70.3	74.1		-
Fixed Interest Fd	72.0	75.8	+0.1	-
Pens Adventurous	134.7	141.8	-0.6	-
Pens Balanced	137.3	144.6	+0.1	-

	Bid Price	Offer Price	+ or -	Yield Gross
Canada Assurance Ltd (z)				
1 Olympic Way, Wembley HA9 0NB 081-902 8876				
2nd Series Life Accumulation				
Equity	571.1	604.5	+0.80	-
High Income	543.8	574.6	+0.50	-
Capital Growth	112.9	119.5	+0.80	-
Property	231.3	244.8		-
Managed 2	169.5	179.4	-0.5	-
Managed	414.1	438.2	+0.80	-
Managed 4	200.0	211.6	-0.3	-
Deposit	265.9	281.4		-
Gilt	276.2	292.3	-0.1	-
American	619.0	655.0	+0.60	-

INSURANCES

FT MANAGED FUNDS SERVICE

• Current Unit Trust prices are available from FT Cityline. For further details call (071) 873 4378.

OFFSHORE INSURANCES

MANAGEMENT SERVICES

OFFSHORE AND OVERSEAS

BERMUDA (SIB RECOGNISED)

CANADA (SIB RECOGNISED)

GUERNSEY (SIB RECOGNISED)

GUERNSEY (REGULATED)(**)

IRELAND (SIB RECOGNISED)

IRELAND (REGULATED)(**)

ISLE OF MAN (SIB RECOGNISED)

ISLE OF MAN (REGULATED)(**)

FT MANAGED FUNDS SERVICE

• Current Unit Trust prices are available from FT Cityline. For further details call (071) 873 4378.

	Bid Price	Offer Price	+ or -	Yield Gross
R & H Fund Managers Ltd				
LFM Sterling Fd	£11.45	11.94		-
R.F. Offshore Inc Fd Ltd	£12.68	13.21	-	-
INC Offshore Fd	£10.19	11.04		-
Nelson Miles W/W S/S	£11.84	12.17		-

JERSEY (SIB RECOGNISED)

	Init Charge	Canc. Price	Bid Price	Offer Price	+ or -	Yield Gr's
AIB Fund Managers (CI) Ltd						
PO Box 468 St Helier Jersey 0534 36633						
AIB Currency Funds Ltd						
Intl Managed Bond	5		I£-22.7108	22.7287		-
Managed Capital Ba	5		I£-22.5147	22.5476		-
AIB Grofund Currency Fund Limited						
Stlg Mngd Currency	5		£-	11.1523		-
Sterling Currency Fd	5		£-	10.6964		-
Ecu Currency	5		Ecu-	11.1403		-
US Dollar Mngd Curr	5		$-	21.6888		-
Barclays International Funds						
PO Box 152, St Helier, Jersey CI 0534 67888						
Australian Eq (Inc)	5¼	£1.087	1.092	1.148	[illegible]	0.9
Global Income (Inc)	5¼	£1.563	0.570	0.610	[illegible]	2.6
Global Resources	5¼	£0.459	0.464	0.496	[illegible]	0.2
Currency Funds						
Stlg Premium Income		£10.03		10.04xd	+0.01	5.7
Sterling			£-	23.87	+0.01	5.5
US Dollar			$-	32.63		1.8
Deutschemark			DM-	61.77		7.3
Yen			Y-	4237	[illegible]	1.7
Managed Multicurrency			£- 15.96	16.53	-0.06	-
Managed Multicurrency			$- 26.13	27.05		-
Bond Funds						
Sterling Bond	3½		£- 0.439xd	0.457	[illegible]	9.0
Capital House Fund Mgrs (CI) Ltd (0900)H						
PO Box 189, St. Helier, Jersey 0534 74689						
Capital House International Growth Funds Ltd ♦						
Equities						

	Bid Price	Offer Price	+ or -	Yield Gross
Northgate Unit Tst. Mngr. (Jersey) Ltd				
Pacific Fund Mar 4	$36.32	38.62	-	-
Perpetual UT Mngrs (Jersey) Ltd				
Offshore Intl Gwth Fd	$3.8057	4.0466		-
Offshore Japanese Gwth Fd	$0.9833	1.0450		-
Offshore Am Gwth Fd	$6.8273	7.2554		-
Offshore Emerging Cos	$4.0898	4.3421		-
Offshore European Fd	$1.5425	1.6403		-
Offshore Asia Smaller Mkts	$0.9502	1.0000		-
Offshore Global Bond	$1.0037	1.0456		-
Offshore Global Bond Acc	$1.0037	1.0456		-
Offshore Far Eastern Fd	$2.4973	2.6539		-
Offshore UK Growth Fd	$2.0966	2.2281		-
The Portugal Fund Limited				
Lloyds Bank Trust Company (Channel Islands) Ltd				
NAV Mar 12		$4.20		-
Royal Bk of Scotland Fd Mngrs (Jersey) Ltd				
Ivory Growth Fund	£16.46	16.71		1.43
LFM Defensive Strtgy	£11.91	12.56		-
Royal Trust Intl Fd Mngt Ltd				
Sterling Fxd Int (x)†	100.90	102.00xd	+0.50	6.76
International Bond (x)†	$1.164	1.176xd	+0.006	5.10
†Prices on Mar 10. Next dealing Mar 17				
Schroder Mngt Services (Jersey) Ltd				
Schroder Money Funds Ltd				
Sterling		£37.0281		5.32
US $		$48.9994		1.73
D-Mark		DM84.7913		7.25
Swiss franc		SF178.2981		4.30
Yen		Y5187.08		1.90
Scimitar Worldwide Money Fund Ltd				
Sterling		£25.4257	+0.0046	6.07
US $		$37.4183	+0.0025	2.45
D-Mark		DM81.8776	+0.0156	7.20
Swiss Franc		SF60.4845	+0.0008	5.76
Japanese Yen		Y7722.2745	+0.5223	2.44
Australian $		A$41.8062	+0.0056	5.14
Canadian $		C$34.5635	+0.0049	5.25
Ecu		Ecu16.4612	+0.0037	8.85
US$ Managed	$39.2858	41.4184	-0.0053	2.44
Sterling Managed	£24.8848	25.6636	-0.1615	4.01

E.T. Investment Management Ltd — 13 Rue Goethe, BP 413, Luxembourg

Eagle Star – Global Assets Fund (u) — 5 Rue Aldringen L-1118 Luxembourg; Dealing UK 0624 681100

All funds are denominated in [illegible] Sterling equivalents

EquiFund–Wright National Equity Fd (u) — 14 rue Aldringen, L-1118 Lux

Fidelity Funds (u) — Kansallis Hse, Place de L'Etoile, UK-0732 777377

LUXEMBOURG (SIB RECOGNISED)

LUXEMBOURG (REGULATED)

JERSEY (REGULATED)

SWITZERLAND (SIB RECOGNISED)

OTHER OFFSHORE FUNDS

[illegible]

MANAGED FUNDS NOTES

[illegible]

CURRENCIES, MONEY AND CAPITAL MARKETS

FOREIGN EXCHANGES

Sterling firms on UK budget

STERLING gained 2 pfennigs against the D-Mark yesterday as dealers absorbed the message from the UK chancellor that the current level of UK base rates was "consistent with the achievements of the Government's inflation objectives," *writes James Blitz.*

In the run up to yesterday's budget statement, the pound rose against the German currency from around DM2.3900 at 0830 to DM2.4050 shortly before the chancellor spoke in the House of Commons.

The stronger sentiment towards the pound was based on the correct impression that the chancellor would not ease monetary policy further in his annual budget statement.

His announcement that the projected Public Sector Borrowing Requirement for 1994/5 had been raised to £50bn triggered a ½ pfennig loss for the pound at one stage of the speech.

However, news of the chancellor's measures to tighten fiscal policy over the next few years helped to boost confidence in sterling on both currency and fixed income markets. The pound closed at DM2.4025, up 2 pfennigs on the day. At lunchtime in the US, sterling was trading higher at DM2.4045.

Mr David Cocker, chief economist at Chemical Bank in London, said that yesterday's budget statement would consolidate the favourable sentiment towards sterling seen in recent weeks.

He said there were already signs that the UK economy was recovering, and the chancellor's promise to tighten fiscal policy over the next few years would be a further attraction for investors. But he also felt that the budget proposals themselves were unlikely to push the currency up very far.

In Europe, the immediate outlook for the European exchange rate mechanism remained uncertain. The Bundesbank's decision not to change the interest rate at which it lends short term funds to German commercial banks added to ERM tensions.

Market participants appeared to believe that the Bundesbank would cut its official Lombard and discount rates by 50 basis points at tomorrow's council meeting. However, yesterday's decision to offer a fixed rate repo at the unchanged rate of 8.25 per cent disappointed some dealers.

Mr Gerard Lyons, chief economist at DKB International in London, expressed surprised that the market was so optimistic about an official rate cut following the recent conclusion of the Solidarity Pact talks between the German government and opposition.

"The pact actually revises up the budget deficit forecast for 1995 and there is little reason for the Bundesbank to be optimistic," he said.

At least one trader said the Bank of France was subtly buying its currency to stanuch selling The franc closed at FFr3.4000 to the D-Mark, having been as low as FFr3.4043 on Monday.

EMS EUROPEAN CURRENCY UNIT RATES

	Ecu Central Rates	Currency Amounts Against Ecu Mar 16	% Change from Central Rate	% Spread vs Weakest Currency	Divergence Indicator
Spanish Peseta	142.150	138.553	[illegible]	3.32	43
Irish Punt	0.809996	0.798274	−1.45	2.19	34
Dutch Guilder	2.20045	2.18083	−0.89	1.61	32
Belgian Franc	40.2802	39.9517	[illegible]	1.53	28
Portuguese Escudo	180.624	[illegible]	[illegible]	[illegible]	10
D-Mark	1.95294	1.94040	−0.64	1.36	26
Danish Krone	[illegible]	[illegible]	0.13	0.58	−17
French Franc	6.54988	6.59618	0.71	0.00	[illegible]

Ecu central rates set by the European Commission. Currencies are in descending relative strength. Percentage changes are for Ecu; a positive change denotes a weak currency. Divergence shows the ratio between two spreads: the percentage difference between the actual market and Ecu central rates for a currency, and the maximum permitted percentage deviation of the currency's market rate from its Ecu central rate.
(17/9/92) Sterling and Italian Lira suspended from ERM. Adjustment calculated by Financial Times

POUND SPOT - FORWARD AGAINST THE POUND

Mar 16	Day's spread	Close	One month	% p.a.	Three months	% p.a.
US	[illegible]	1.4445 - 1.4455	0.39-0.37cpm	3.16	0.97-0.94pm	2.64
Canada	1.7915 - 1.8110	[illegible]	0.18-0.08cpm	0.86	0.25-0.10pm	0.39
Netherlands	[illegible]	2.6950 - 2.7050	[illegible]	[illegible]	[illegible]	−1.57
Belgium	49.20 - 49.55	[illegible]	7-11cdis	−2.18	23-29dis	−2.10
Denmark	[illegible]	[illegible]	[illegible]	−11.94	21½-24dis	[illegible]
Ireland	0.9830 - 0.9890	0.9875 - 0.9885	0.45-0.50cdis	−5.77	1.28-1.37dis	−5.36
Germany	2.3900 - 2.4050	2.4000 - 2.4050	[illegible]	−2.19	[illegible]	−1.98
Portugal	221.00 - 223.00	[illegible]	170-200cdis	−10.01	485-525dis	−9.11
Spain	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

[illegible]

£ IN NEW YORK

[illegible]

STERLING INDEX

[illegible]

CURRENCY RATES

[illegible]

CURRENCY MOVEMENTS

[illegible]

OTHER CURRENCIES

Mar 16	£	$
Korea(Sth)	1128.90 - 1147.10	789.10 - 795.30
Kuwait	0.44500 - 0.44600	0.30770 - 0.30820
Luxembourg	49.45 - 49.55	34.20 - 34.30
Malaysia	3.7530 - 3.7630	2.5960 - 2.5970
Mexico	4.5110 - 4.5140	3.1175 - 3.1195
N Zealand	2.7415 - 2.7445	1.8945 - 1.8965
Saudi Ar	[illegible]	3.7495 - 3.7505
Singapore	2.3775 - 2.3835	1.6450 - 1.6460
S Af (Cm)	[illegible]	3.1920 - 3.1940
S Af (Fn)	6.7865 - 6.8300	[illegible]
Taiwan	37.55 - 37.70	25.95 - 26.05
U.A.E.	[illegible]	3.6715 - 3.6735

*Floating rate. Iran Official rate:£98.50 $66.30

DOLLAR SPOT - FORWARD AGAINST THE DOLLAR

[illegible]

EURO-CURRENCY INTEREST RATES

[illegible]

EXCHANGE CROSS RATES

Mar 16	£	$	DM	Yen	F Fr.	S Fr.	H Fl.	Lira	C$	B Fr.	Pta	Ecu
£	1	1.445	2.402	168.7	8.167	2.200	2.700	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
$	0.692	1	1.662	116.7	5.652	1.522	1.869	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
DM	0.416	0.602	1	70.23	3.400	0.916	1.124	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
YEN	5.928	8.566	14.24	1000.	48.41	13.04	16.00	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
F Fr.	1.224	1.769	2.941	206.6	10.	2.694	3.306	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
S Fr.	0.455	0.657	1.092	76.68	3.712	1	1.227	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
H Fl.	0.370	0.535	0.890	62.48	3.025	0.815	1	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Lira	0.430	0.622	1.033	72.56	3.513	0.946	1.161	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
C$	0.554	0.801	1.331	93.51	4.527	1.220	1.497	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
B Fr.	2.020	2.919	4.853	340.8	16.50	4.444	5.454	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Pta	0.584	0.845	1.404	98.60	4.773	1.286	1.578	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Ecu	0.807	1.166	1.939	136.2	6.592	1.776	2.179	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

Yen per 1,000: French Fr. per 10: Lira per 1,000: Belgian Fr. per 100: Peseta per 100.

FINANCIAL FUTURES AND OPTIONS

[illegible]

BASE LENDING RATES

	%
Adam & Company	6
Allied Trust Bank	6
AIB Bank	6
●Henry Ansbacher	6
B & C Merchant Bank	13
Bank of Baroda	6
Banco Bilbao Vizcaya	6
Bank of Cyprus	6
Bank of Ireland	6
Bank of India	6
Bank of Scotland	6
Barclays Bank	6
Brit Bk of Mid East	6
●Brown Shipley	6
CL Bank Nederland	6
Citibank NA	6
City Merchants Bank	6
Clydesdale Bank	6
The Co-operative Bank	6
Coutts & Co	6
Credit Lyonnais	6
Cyprus Popular Bank	6
Duncan Lawrie	6
Equatorial Bank plc	6
Exeter Bank Limited	7
Financial & Gen Bank	7
●Robert Fleming & Co	6
Girobank	6
●Guinness Mahon	6
Habib Bank AG Zurich	6
●Hambros Bank	6
Heritable & Gen Inv Bk.	6
●Hill Samuel	6
C. Hoare & Co	6
Hongkong & Shanghai.	6
Julian Hodge Bank	6
●Leopold Joseph & Sons	6
Lloyds Bank	6
Meghraj Bank Ltd	6
McDonnell Douglas Bk.	6
Midland Bank	6
Mount Banking	6
NatWestminster	6
Nykredit Mortgage Bnk	6.5
●Rea Brothers	6
Roxburghe Bank Ltd	6
Royal Bk of Scotland	6
●Smith & Williamson Secs.	6
Standard Chartered	6
TSB	6
Unibank plc	6
●United Bk of Kuwait	6
Unity Trust Bank Plc	6
Western Trust	6
Whiteaway Laidlaw	6
Yorkshire Bank	6

● Members of British Merchant Banking & Securities Houses Association

MONEY MARKETS

Repo unchanged

THERE were strong expectations yesterday that the Bundesbank would cut official rates at its council meeting this week even though the central bank left the rate at which it offers weekly funds to commercial banks unchanged, *writes James Blitz.*

The Bundesbank announced that it would be setting a fixed rate repurchase tender at 8.25 per cent, unchanged from the rate set two Fridays ago. The move caused some disappointment in money markets, and the June Euromark contract fell back 2 basis points to close at 93.22.

UK clearing bank base lending rate 6 per cent from January 26, 1993

However, some dealers suggested that the unchanged repo rate was largely neutral and that there had recently been signs of a willingness among Bundesbank council members to ease policy. The predominance of the bulls in the market was seen by the fact that 3-month D-Marks hovered at around 7.75 per cent, some 50 basis points below the current repo rate level.

Whatever the outlook for official policy, conditions in the German money market remained tight as dealers continued to adjust to the recent changes in the Bundesbank's minmimum reserve requirements.

Call money was quoted as high as the Lombard rate level of 9 per cent. It came down to about 8.67 per cent in the afternoon following comments from Mr Johann Wilhelm Gaddum, a Bundesbank council member, who said that the German central bank would aim to calm markets via the allocation of its securities repurchase funds today.

In the sterling cash market, 3 month money closed unchanged at 5 11/16 per cent after the UK chancellor made no alteration to UK base rates in his budget statement.

Yesterday morning, there was speculation that Mr Lamont, would ease UK interest rates. Shortly before Mr Lamont spoke, 3-month money was bid down to around 5¾ per cent by speculators prepared to take a bet on a cut. The March short sterling contract, which expires today, was also trading at 94.10 shortly before the budget statement.

After the speech, the March contract dropped sharply to 93.95, down 12 basis points on the day. The sharp rise in the level of 3-month sterling may also have been due to the expectation that there will be large shortages in the discount market later this week.

FT LONDON INTERBANK FIXING

[illegible]

MONEY RATES

NEW YORK — Treasury Bills and Bonds

[illegible]

Mar 16	Overnight	One Month	Two Months	Three Months	Six Months	Lombard Intervention
Frankfurt	8.50-8.75	8.25-8.35	7.90-8.00	7.75-7.85	7.30-7.45	9.00
Paris	10¾-11	11½-12	-	11-11½	-	9.10
Zurich	5½-5¾	5½-5¾	-	5-5¼	-	-
Amsterdam	7.87-7.93	7.75-7.82	-	7.33-7.45	-	-
Tokyo	3⅞-3⅞	3⅞-3⅞	-	3⅞-3⅞	-	-
Milan	-	11-11⅛	-	10⅞-11⅛	-	-
Brussels	8⅛-8⅜	8⅛-8⅜	-	7¾-8	-	-
Dublin	10¾-10½	11-11¼	10¾-11	10¾-11	10¼-10½	-

LONDON MONEY RATES

Mar 16	Overnight	7 days notice	One Month	Three Months	Six Months	One Year
Interbank Offer	8	6¼	6⅛	6	5¾	5⅝
Interbank Bid	4½	6	6	5⅞	5⅝	5½
Sterling CDs	-	-	6⅛	5⅞	5⅞	5⅝
Local Authority Deps.	6	6¼	6⅛	5⅞	5¾	5⅝
Local Authority Bonds	-	-	-	-	-	-
Discount Mkt Deps	5¾	6⅛	-	-	-	-
Company Deposits	-	-	-	-	-	-
Finance House Deposits	-	-	6	5⅞	5⅞	5⅞
Treasury Bills (Buy)	-	-	5⅞	5⅝	5⅝	-
Bank Bills (Buy)	-	-	5¾	5⅝	5⅝	-
Fine Trade Bills (Buy)	-	-	-	-	-	-
Dollar CDs	-	-	3.04	3.09	3.19	3.45
SDR Linked Dep. Offer	-	-	5⅛	5	4⅞	4⅞
SDR Linked Dep. Bid	-	-	5	4⅞	4¾	4¾
ECU Linked Dep. Offer	-	-	9⅜	8⅞	8½	8⅛
ECU Linked Dep. Bid	-	-	9¼	8⅞	8⅜	7⅞

Treasury Bills (sell); one-month 5⅝ per cent; three months 5½ per cent, six months 5¼ per cent; Bank Bills (sell): one-month 5 11/16 per cent; three months 5 9/16 per cent. Treasury Bills; Average tender rate of discount 5.3657. ECGD Fixed Rate Sterling Export Finance. Make up day February 26, 1993. Agreed rates for period March 24, 1993 to April 25, 1993. Scheme I: 7.35 p.c., Schemes II & III. 7.47 p.c. Reference rate for period January 30, 1993 to February 26, 1993, Scheme IV&V: 6.228 p.c. Local Authority and Finance Houses seven days' notice, others seven days' fixed. Finance Houses Base Rate 7 from March 1, 1993: Certificates of Tax Deposit (Series 6); Deposit £100,000 and over held under one month 2¼ per cent; one-three months 5¼ per cent; three-six months 5 per cent; six-nine months 4¾ per cent; nine-twelve months 4½ per cent; Under £100,000 2¼ per cent from Jan.27, 1993, Deposits withdrawn for cash 1¼ per cent.

MONEY MARKET FUNDS

Money Market Trust Funds

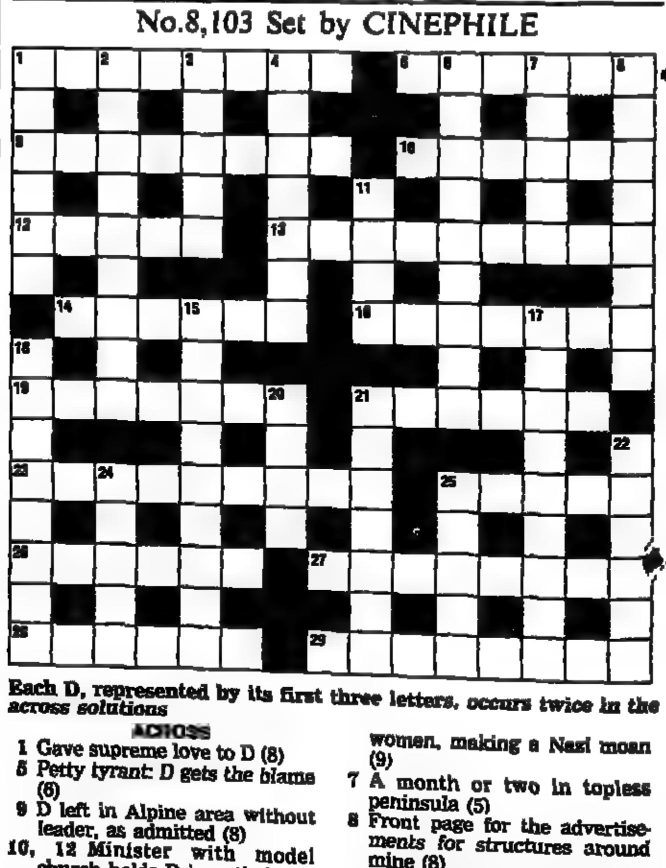
[illegible]

Money Market Bank Accounts

[illegible]

CROSSWORD

No.8,103 Set by CINEPHILE



Each D, represented by its first three letters, occurs twice in the across solutions

ACROSS

1 Gave supreme love to D (8)
5 Petty tyrant: D gets the blame (6)
9 D left in Alpine area without leader, as admitted (8)
10, 12 Minister with model church holds D in pet's home (6,5)
13 D comes in turning up late like a snail (9)
14 A good thing D follows Queen Victoria from 1876 (6)
16 D went off, not like a bad egg, and frolicked (7)
19 Flower, one originally named without D (7)
21 Miscellaneous D without water (6)
23 D moves yards south to make more than one of them complete (9)
25, 26 Change I deleted about D for football club (5,6)
27 Dental (that's D, that is) draws a match while dressing (4,1,3)
28 Representation of saint on a D (6)
29 D in pub, for example, coming back to trespass (8)

DOWN

1 All going in through head in Sussex (6)
2 Second clue for t? (5,4)
3 Witchcraft brings honour and a cry of satisfaction (5)
4 Hide and see (that's wrong) about piece of film (7)
6 Concerned with fighting women, making a Nazi moan (9)
7 A month or two in topless peninsula (5)
8 Front page for the advertisements for structures around mine (8)
11 Article forming part of pitch indicator (4)
15 After short time French writer collected articles for bride (9)
17 Region of minorities – and Eastern Turks, possibly (9)
18 Turn out in bobble hats causing fits of temper (8)
20 Dash from the land (4)
21 School head followed by strange noises at meeting (7)
22 Ancient ascetic caught away from his true nature (6)
24 Savimbi's lot, one plus one (5)
25 Student, like monarch, forms a beam (5)

Solution to Puzzle No.8,102

WORLD STOCK MARKETS

AUSTRIA | BELGIUM/LUXEMBOURG | DENMARK | FINLAND | FRANCE | GERMANY | NETHERLANDS | ITALY | NORWAY | SPAIN | SWEDEN | SWITZERLAND | SOUTH AFRICA | JAPAN | AUSTRALIA | HONG KONG | MALAYSIA | SINGAPORE

[illegible]

CANADA

TORONTO

4 pm close March 16

Quotations in cents unless marked $

[illegible]

Total Sales 21,881,800 shares

MONTREAL

4 pm close March 16

[illegible]

INDICES

NEW YORK

DOW JONES	Mar 15	Mar 12	Mar 11	Mar 10	1992/93 HIGH	1992/93 LOW	Since compilation HIGH	Since compilation LOW
Industrials	3442.41	3427.82	3457.00	3478.34	3478.34 (10/3/93)	3136.58 (9/10/92)	3478.34 (10/3/93)	41.22 (2/7/32)
Home Bonds	106.33	106.47	106.50	106.39	106.50 (11/3/93)	98.41 (20/3/92)	106.50 (11/3/93)	54.99 (1/10/81)
Transport	1538.04	1538.65	1554.96	1562.02	1589.61 (9/2/93)	1204.40 (26/8/92)	1589.61 (9/2/93)	12.32 (8/7/32)
Utilities	236.80	237.54	240.74	241.99	241.99 (10/3/93)	200.74 (8/4/92)	241.99 (10/3/93)	10.50 (8/4/32)

DJ Ind. Day's High 3460.51 (3447.81) Low 3412.96 (3385.40) (Theoretical♠)
Day's High 3442.41 (3457.00) Low 3425.47 (3403.77) (Actual♠)

STANDARD AND POOR'S

	Mar 15	Mar 12	Mar 11	Mar 10	1992/93 HIGH	1992/93 LOW	Since compilation HIGH	Since compilation LOW
Composite ‡	451.43	449.83	453.72	456.33	456.33 (10/3/93)	394.50 (8/4/92)	456.33 (10/3/93)	4.40 (1/6/32)
Industrials	519.85	517.52	521.77	524.99	524.99 (10/3/93)	470.91 (8/4/92)	524.99 (10/3/93)	3.62 (21/6/32)
Financial	44.93	44.95	45.35	45.43	45.43 (10/3/93)	32.40 (8/4/92)	45.43 (10/3/93)	8.64 (1/10/74)
NYSE Composite	249.87	249.18	250.20	251.38	251.38 (10/3/93)	217.92 (8/4/92)	251.38 (10/3/93)	4.46 (25/4/42)
Amex Mkt. Value	422.94	421.09	422.31	421.88	422.94 (15/3/93)	364.85 (9/10/92)	422.94 (15/3/93)	29.31 (9/12/72)
NASDAQ Composite	695.21	692.78	694.29	692.87	708.85 (4/2/93)	547.84 (26/6/92)	708.85 (4/2/93)	54.87 (31/10/72)

	Mar 12	Mar 5	Feb 26	year ago (approx.)
Dow Industrial Div. Yield	2.96	2.99	3.02	2.84

	Mar 10	Mar 3	Feb 24	year ago (approx.)
S & P Industrial div. yield	2.44	2.48	2.53	2.61
S & P Ind. P/E ratio	26.02	26.18	26.86	25.61

NEW YORK ACTIVE STOCKS

Monday	Stocks traded	Closing price	Change on day
RJR Nabisco	3,392,800	8¼	—
Storage Tech	2,175,300	27⅞	+ ⅛
Philip Morris	2,136,800	64⅝	- ½
Wal-Mart	2,068,300	33⅛	+ ⅛
Hanson	1,839,200	8	+ ¼
Chrysler	1,833,300	39¼	+ 1
Bear Stearns	1,753,900	17½	—
Merck	1,624,700	38⅝	- ½
Glaxo	1,484,000	18⅞	- ¼
Boeing	1,468,300	35⅝	+ ⅛

TRADING ACTIVITY

† Volume (Millions)	Mar 15	Mar 12	Mar 11
New York SE	192.680	244.740	252.510
Amex	12.753	13.184	17.587
NASDAQ	(a)	226.299	205.080
NYSE			
Issues Traded	2,461	2,480	2,500
Rises	1,033	550	924
Falls	837	1,380	956
Unchanged	591	550	620
New Highs	107	80	194
New Lows	11	17	11

CANADA

TORONTO	Mar 15	Mar 12	Mar 11	Mar 10	1992/93 HIGH	1992/93 LOW
Metals & Minerals	2988.00	2992.97	2986.14	2931.29	3238.87 (16/1/92)	2528.91 (17/11/92)
Composite	3562.05	3548.86	3552.42	3551.92	3595.00 (16/1/92)	3155.49 (14/10/92)
MONTREAL Portfolio	1836.02	1829.70	1833.36	1830.45	1937.58 (16/1/92)	1663.16 (14/10/92)

Base values of all indices are 100 except NYSE All Common - 50; Standard and Poor's - 10; and Toronto Composite and Metals - 1000. Toronto indices based 1975 and Montreal Portfolio 4/1/83. † Excluding bonds.‡ Industrial, plus Utilities, Financial and Transportation. (c) Closed. (u) Unavailable. ♠ The DJ Ind. index theoretical day's highs and lows are the averages of the highest and lowest prices reached during the day by each stock; whereas the actual day's highs and lows (supplied by Telekurs) represent the highest and lowest values that the index has reached during the day. (The figures in brackets are previous day's). ♣ Amended figure.

	Mar 16	Mar 15	Mar 12	Mar 11	1992/93 HIGH	1992/93 LOW
AUSTRALIA						
All Ordinaries (1/1/80)	1658.3	1626.4	1661.5	1661.1	1684.50 (22/5/92)	1357.20 (16/11/92)
All Mining (1/1/80)	652.1	633.9	646.7	646.9	728.80 (3/7/92)	545.40 (16/11/92)
AUSTRIA						
Credit Aktien (30/12/84)	352.08	352.79	349.42	354.95	458.57 (24/2/92)	291.41 (13/8/92)
Traded Index (2/1/91)	838.08	840.65	836.23	838.73	1089.43 (24/2/92)	682.95 (13/8/92)
BELGIUM						
BEL20 (1/1/91)	1245.40	1242.58	1240.0	1245.98	1249.29 (10/3/93)	1048.07 (2/9/92)
DENMARK						
Copenhagen SE (3/1/83)	278.80	279.50	280.31	281.32	365.29 (15/1/93)	250.42 (28/10/92)
FINLAND						
HEX General (28/12/90)	962.0	983.1	991.3	1006.2	1006.20 (11/3/93)	541.00 (7/9/92)
FRANCE						
CAC General (31/12/81)	529.23	528.40	528.51	530.88	555.96 (12/5/92)	441.70 (7/10/92)
CAC 40 (31/12/87)	1976.25	1988.03	1985.18	1988.94	2077.49 (11/5/92)	1811.04 (5/10/92)
GERMANY						
FAZ Aktien (31/12/58)	668.68	672.79	675.25	675.23	725.26 (28/5/92)	565.61 (12/10/92)
Commerzbank (1/12/53)	1897.20	1897.10	1901.80	1904.00	2043.80 (25/5/92)	1584.60 (12/10/92)
DAX (30/12/87)	1697.83	1702.57	1707.14	1717.40	1811.57 (25/5/92)	1420.30 (6/10/92)
HONG KONG						
Hang Seng Bank (31/7/64)	5980.04	5854.61	6170.4	6371.84	6508.00 (8/3/93)	4307.78 (2/1/92)
IRELAND						
ISEQ Overall (4/1/88)	1383.62	1388.16	1388.73	1411.80	1469.57 (17/1/92)	1094.88 (18/10/92)
ITALY						
Banca Com. Ital. (1972)	502.42	508.42	514.24	520.71	551.59 (6/2/92)	354.93 (16/9/92)
MIB General (4/1/93)	1109.0	1121.0	1136.0	1150.0	1166.00 (2/3/93)	990.00 (11/1/93)
JAPAN						
Nikkei (16/5/49)	17868.30	18086.18	18037.52	17904.79	23801.18 (6/1/92)	14309.41 (18/8/92)
Tokyo SE (Topix) (4/1/68)	1344.71	1353.60	1350.94	1344.34	1763.43 (6/1/92)	1102.50 (18/8/92)
2nd Section (4/1/68)	1717.70	1710.40	1698.18	1698.30	2459.85 (6/1/92)	1502.77 (19/8/92)
MALAYSIA						
KLSE Composite (4/4/86)	637.78	634.81	636.05	637.25	660.35 (5/11/92)	545.59 (14/1/92)
NETHERLANDS						
CBS Tot.Rtn.Gen.(End 1983)	325.8	325.0	323.1	327.4	327.40 (10/3/93)	274.00 (6/1/92)
CBS All Shr (End 1983)	219.2	218.7	217.4	220.3	220.30 (10/3/93)	189.70 (25/8/92)
NORWAY						
Oslo SE (Ind) (2/1/83)	781.10	781.53	769.01	770.16	781.53 (15/3/93)	532.43 (25/8/92)
PHILIPPINES						
Manila Comp (2/1/85)	1475.78	1471.65	1494.56	1508.73	1580.95 (11/8/92)	1083.01 (17/3/92)
SINGAPORE						
SES All-Singapore (2/4/75)	415.53	412.86	417.82	420.25	421.27 (24/2/93)	351.41 (21/10/92)
SOUTH AFRICA						
JSE Gold (28/9/78)	1078.0▼	1062.0	1099.0	1028.0	1327.00 (21/1/92)	748.00 (10/11/92)
JSE Industrial (28/9/78)	4445.0▼	4462.0	4469.0	4473.0	4599.00 (4/9/92)	3926.00 (19/10/92)
SOUTH KOREA**						
Korea Comp Ex. (4/1/80)	637.87	645.73	628.16	615.26	709.77 (8/1/93)	459.07 (21/8/92)
SPAIN						
Madrid SE (30/12/85)	235.60	237.73	237.41	240.45	289.51 (20/2/92)	179.48 (5/10/92)
SWEDEN						
Affarsvariden Gen. (1/2/37)	1017.80	1008.10	1012.50	1026.0	1039.00 (9/3/93)	639.00 (5/10/92)
SWITZERLAND						
Swiss Bank Ind. (31/12/58)	950.4	953.4	940.7	954.0	954.00 (11/3/93)	748.50 (8/1/92)
SBC General (1/4/87)	727.5	730.2	724.7	733.9	733.90 (11/3/93)	595.40 (28/8/92)
TAIWAN**						
Weighted Price (30/6/66)	4486.99	4507.00	4584.59	4618.35	5391.63 (30/1/92)	3098.43 (8/1/93)
THAILAND						
Bangkok SET (30/4/75)	905.12	905.51	918.38	898.78	938.44 (25/1/93)	687.84 (19/5/92)
WORLD						
M.S. Capital Intl.(1/1/70) $	520.6*	520.1	520.8	523.6	542.10 (7/1/92)	457.50 (8/4/92)
Euro Top-100 (26/6/90)	940.15	940.68	940.97	951.35	976.55 (25/5/92)	772.52 (5/10/92)

**Saturday March 13: Taiwan Weighted Price: 4,413.84, Korea Comp Ex. 634.84
▼ Subject to official recalculation.
*Calculated at 15.00 GMT.

Base values of all indices are 100 except Austria Traded, BEL20, HEX Gen., MIB Gen., CAC40, Euro Top-100, ISEQ Overall and DAX - 1,000, JSE Gold - 255.7, JSE 20 Industrials - 264.3 and Australia All Ordinary and Mining - 500. (c) Closed. (u) Unavailable

TOKYO - Most Active Stocks

Tuesday, March 16, 1993

	Stocks Traded	Closing Prices	Change on day		Stocks Traded	Closing Prices	Change on day
Showa Shell	4.1m	917	+38	Iwatsu Elec	3.3m	513	-25
Mitsui Mining	4.0m	465		Hitachi	3.1m	760	+7
Hitachi Zosen	3.7m	491	-5	Nippon Express	3.0m	817	-8
NEC Corp	3.6m	758	-11	Toyo Kanetsu	2.9m	754	+36
Kyowa Hakko	3.4m	1,080	-20	Fujitsu	2.7m	606	+6

NEW YORK STOCK EXCHANGE COMPOSITE PRICES

4 pm close March 16

1992/93 High	Low	Stock	Div	Yld. %	P/ E	Sls 100s	High	Low	Close Quote	Ch'ge Prev. Close
15⅞	10¾	AAR Corp	0.48	4.1	21	572	12	11⅝	11⅝	-⅛
28½	18	A L Labs A	0.16	0.8	36	232	23	22¾	22⅞	-⅛
66¾	52⅝	AMP Inc	1.60	2.7	21	319	59⅞	58⅝	58⅝	-⅛
60¼	54⅜	AMR			9	4831	60¼	59¾	59⅞	-¼
2⅜	1⅜	ARX			10	106	1⅞	1¾	1¾	
53½	29⅞	ASA	2.00	5.4	24	577	37¼	36¾	36¾	-⅝
34⅞	22⅞	Abbott Lab	0.60	2.3	17	6965	26⅛	25¾	26	-½
13⅞	10¼	Abitibi Pr	0.50	4.6	3	2	10⅞	10⅞	10⅞	-⅛
11⅝	10⅛	ACM Gvt In x	0.96	8.6		306	11⅛	11	11⅛	+⅛
10⅜	9	ACM GvOpp x	0.78	8.1		218	9¾	9½	9¾	
9¾	8½	ACM Gvt Sp	0.78	8.4		205	9½	9⅜	9⅜	-⅛
11⅜	9⅞	ACM Gvt Se	0.96	8.7		498	11⅛	11	11	-⅛
10⅞	8⅝	ACM Man x	1.08	9.9		288	u10⅞	10⅝	10⅞	+¼
12⅞	8⅝	ACM Mangd x	0.78	8.5		129	9¼	9⅛	9⅛	
17¾	4¾	Acme Cleve	0.40	5.0	17	66	8	7⅞	8	+¼
9¼	3¾	Acme Elect			687	25	6⅞	6⅝	6⅞	+¼
33¼	12⅛	Acuson			12	301	13¼	13	13	-⅛
22¼	18⅛	Adams Expr	0.48	2.2	1	43	21⅜	21¼	21⅜	
52⅞	29½	Ad Micro	3.00	5.8		75	52	51⅜	51¾	-⅛
24⅛	7½	Ad Micro P	3.00	12.7	9	4183	23⅞	23⅝	23⅝	-¼
9⅛	4⅞	Advest Grp	0.16	2.3	14	144	7⅛	7	7	-⅛
47⅝	33	Aegon ADR	1.35	2.8	8	172	u47¾	47½	47¾	+⅛
53¾	38	Aetna Lf	2.76	5.8	960	1185	48⅛	47⅝	48	+¼
[illegible]										

- B -

[illegible]

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- D -

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Continued on next page

NYSE COMPOSITE PRICES

Continued from previous page

NASDAQ NATIONAL MARKET

4 pm close March 16

AMEX COMPOSITE PRICES

4 pm close March 16

AMERICA

Bank sector firmer on broker's upgrade

Wall Street

FOR the second consecutive day US stock markets moved in a narrow price range in light trading, as investors searched for a new direction, writes Patrick Harverson in New York.

At 12.30 pm, the Dow Jones Industrial Average was up 2.97 at 3,445.38. The more broadly based Standard & Poor's 500 was up 0.20 at 451.63, while the Amex composite was 0.46 lower at 422.48, and the Nasdaq composite 0.54 firmer at 695.75. NYSE volume, which on Monday hit its lowest levels for the year, was again light at only 118m shares by 12.30 pm.

After the wild fluctuations and heavy volumes of the previous few weeks, equities yesterday appeared to have settled into a temporary pattern of narrow price movements in thin trading. The pattern, said analysts, indicated that in the absence of compelling new economic statistics and a strong lead from Treasury prices, markets are searching for a new direction.

The day's only economic numbers provided little encouragement. The Commerce department reported that housing starts rose by 2.5 per cent in February, a smaller increase than expected. Analysts, however, blamed the weak figures on the bad weather late last month, which is likely to have hit the construction of new homes.

The subdued trading yesterday may also have reflected reluctance among investors and dealers to trade heavily ahead of today's consumer price index report for February. Normally, the markets would not be overly concerned by the CPI number, but after last week's worryingly strong producer prices report – which sparked heavy selling of bonds and, later, equities – and this week's increase in commodities prices, investors have become newly sensitive to any hint that inflationary pressures may be building in the economy.

Banks were firmer. Citicorp rose $1¼ to $29¾ in volume of 1.7m shares and Wells Fargo by $⅞ to $108⅞. Both were lifted by the news that analysts at the broking house, Donaldson Lufkin & Jenrette, had raised their earnings estimates for the two banks. Elsewhere in the sector, Chemical put on $¼ at $43, Chase Manhattan $⅝ to $35, and BankAmerica $⅛ to $52⅝.

Drug stocks once again took a beating from investors worried about government controls on pharmaceuticals prices. Merck dropped $1 to $37⅝, Pfizer $1⅞ to $60⅞ and Schering-Plough $1¼ to $58¼.

Marion Merill Dow plunged $4¼ to $18¾ in volume of 1.3m shares after the company warned that its first quarter sales would be "substantially" lower than it recorded at the same stage a year ago.

Another company hit by an unexpected profits warning was Chemical Waste, which tumbled $1⅝ to $17⅝ in volume of 1.4m shares after it said that first quarter earnings would be flat or lower, compared to a year ago.

Canada

TORONTO was easier at noon with the TSE-300 composite index 8.41 lower at 3,553.64. The industrial products sub-index was the worst performer, down 25.20 at 2,143.38, followed by the oil and gas group, off 10.96 at 3,865.40. Volume was some 26.2m shares.

Among the most actives, Nova Corp was down C$⅛ at C$8⅞, with Potash Corp C$⅛ lower at C$24, but Royal Bank of Canada was C$⅛ firmer at C$25½. In mines and oils, American Barrick was down C$⅛ at C$20⅝.

EUROPE

Bourses decline as rate prospects pall

BOURSES decided that German interest rate prospects could sustain them for only so long, *writes Our Markets Staff.*

FRANKFURT eased by a fraction, rate cut hopes holding equities relatively firm against a background of disappointing, or inconclusive company news. The DAX index slipped 4.74 to 1,697.83 in turnover down from DM6.2bn to DM6.1bn.

Chemicals were under pressure after the string of accidents at Hoechst, which could trigger a series of government actions to tighten regulations and impose costly new safety controls on the industry.

MAN, the truckmaker and engineer, fell DM8 to DM297.50 on a downgrade and sell recommendation from DB Research, which cut its 1993 earnings estimate from DM23 to DM13 and the dividend in prospect from DM10 to DM7; Deutsche Babcock lost Monday's gains and more, falling DM5.30 to DM156.20 as attention shifted to the deterioration in its prospects for 1992-93.

Among carmakers, Volkswagen moved with the continental clock, rising DM5 to DM290.50 over the official session in reaction to Monday's late news that Mr Ignacio Lopez, VW's erstwhile recruit, would be leaving GM after all – and falling DM2 after hours as dealers waited for the results of a VW press conference, and mused that Mr Lopez, a tough cost cutter in the US, might find German conditions less to his liking.

Meanwhile, Mr Detlev Klug at B Metzler in Frankfurt offered a cautionary word about equity prospects after Thursday's Bundesbank meeting. Relative strength indicators were looking toppy, he said, a limited rate cut from Buba could be seen as solidarity pact window dressing, and the expiry of options contracts on Friday could exaggerate any adverse reaction.

MILAN was battered by a sharp fall in Olivetti which followed Monday's news of a L900bn rights issue. After an early suspension on a 14 per cent drop, the shares closed L377, or 17 per cent lower at L1,825. This was reflected in the Comit index which finished 6.00 weaker at 502.42.

FT-SE Actuaries Share Indices — THE EUROPEAN SERIES

March 16 Hourly changes	Open	10.30	11.00	12.00	13.00	14.00	15.00	Close
FT-SE Eurotrack 100	1153.85	1152.19	1151.40	1151.50	1152.12	1151.73	1151.42	1151.53
FT-SE Eurotrack 200	1221.52	1221.41	1221.06	1222.74	1222.69	1221.92	1222.26	1222.33

	Mar 15	Mar 12	Mar 11	Mar 10	Mar 9
FT-SE Eurotrack 100	1153.82	1145.86	1163.60	1167.52	1164.26
FT-SE Eurotrack 200	1219.52	1212.44	1232.53	1231.98	1230.72

Base value 1000 (26/10/90) High/day: 100 - 1153.85, 200 - 1223.43 Low/day: 100 - 1150.91 200 - 1219.93

Mr Carlo de Benedetti has said that the capital increase is needed to help the group take advantage of a possible recovery in the European computer market, where it is perceived to have an advantage over IBM and Compaq because of the strength of the dollar.

Some analysts commented that Olivetti had made efforts already to restructure and streamline its business into sector areas with the best growth opportunities, such as telecommunications and computer notebooks. NatWest Securities in London said that the convertible bonds offered as a partial alternative to conventional equity looked attractive: they will be issued at L1,000, and carry a coupon of between 6 and 8 per cent.

Olivetti's parent company, Cir, which announced a loss of L540bn in 1992, also eased on the news, closing down L119 at L1,050 while Cofide, another of Mr De Benedetti's companies, was off L122 at L1,138.

The Olivetti news weighed on other stocks which, observers believe may make a rights issue; Fiat, for instance, lost L225 to L5,560.

PARIS remained depressed with a further fall in the CAC-40 index of 10.78 to 1,975.25 as turnover stayed low at FFr2.3bn.

There was activity in Moulinex, which began the week with a decline of some 6.5 per cent and followed yesterday with another fall of FFr6.80, or 7 per cent to FFr90.70. Some analysts remarked that there had been reports yesterday that the group had clarified its shareholding structure, suggesting that it could proceed with a rights issue. The share price had risen to a year's high of FFr107 on takeover speculation.

MADRID got the better January inflation figures it expected and sold, the general index falling 2.23 to 235.50.

STOCKHOLM staged a modest rally on lower domestic interest rates as the Affärsvärlden general index gained 17.7 to 1,017.8, its first gain in five trading days. Turnover improved to SKr558m from Monday's SKr532m.

Ericsson, the telecommunications group, remained the market's most active issue as the B shares rose SKr5 to SKr240 in turnover of some SKr90m.

ISTANBUL decided that the results of some 40 companies announced yesterday had failed to match expectations, and the market index closed 75.43 lower at 5,716.82.

ASIA PACIFIC

Tokyo falls as Hong Kong stages a rally

Tokyo

LIGHT profit-taking ahead of the March financial year-end depressed share prices, and the Nikkei average closed below the 18,000 mark after seven consecutive gains, *writes Emiko Terazono in Tokyo.*

The 225-issue average lost 117.88 at 17,968.30, finishing below 18,000 for the first time in three trading days. The index rose to the day's high of 18,117.09 in the morning, but was pushed down by profit-taking in the afternoon to set a low for the session of 17,945.22.

Volume remained almost unchanged, at 350m shares against 336m. Traders said that yesterday was the last trading day of the year for most corporate investors, who close their books this Friday. Declines led advances by 599 to 407, with 150 issues unchanged. The Topix index of all first section stocks dipped 8.89 to 1,344.71, but in London the ISE/Nikkei 50 index edged up 0.95 to 1,073.73.

Companies with close ties with Japanese railway groups gained ground after JR East, which plans to submit its application for listing next month, held a meeting for stock analysts on Monday. Some investors were encouraged by reports that more analysts had attended the meeting than had been expected.

While details for the listing have yet to be decided, JR East said it expected to target retail investors for its listing, offering a high dividend.

Mr Graeme McDonald, an analyst at James Capel, said future profits for JR East were dependent on its revenue from operations other than its core business, so that most investors would be looking at the level of projected capital expenditure. Nippon Densetsu Kogyo, a core electrical engineering company closely linked to the JR group, advanced Y60 to Y2,250.

Nippon Telegraph and Telephone declined Y1,000 to Y802,000 on profit-taking by dealers. NTT-related shares also lost ground, with Daimei Telecom Engineering, a telecom engineering concern, falling Y22 to Y827 and Kyowa Exeo losing Y23 to Y975.

In Osaka, the OSE average receded 83.72 to 18,992.43 in volume of 66.9m shares. The index declined for the first time in four trading days on small-lot selling in the afternoon.

Roundup

THERE WERE some strong performances among the region's markets.

HONG KONG showed some recovery on buying by institutional investors. The Hang Seng index rose 125.43 to 5,980.04 but turnover dropped from HK$5.5bn to HK$3.9bn.

Sentiment remained nervous after China's political attacks, although there were expectations of good results from Cheung Kong and Hutchison Whampoa, which report tomorrow; Cheung Kong climbed 80 cents to HK$21.50 and Hutchison by 40 cents to HK$15.70.

HSBC regained HK$1 at HK$65.50, having reported better than expected 1992 profits after the close on Monday. Hang Seng Bank retrieved HK$2.50 at HK$65.

AUSTRALIA gathered momentum, encouraged by remarks from Mr Paul Keating, the re-elected prime minister, that there was scope for a cut in official interest rates. Some analysts said they were expecting a ½ percentage-point reduction in rates.

The All Ordinaries index ended 32.9 up at 1,659.3 in turnover of A$281.1m. Mr Kerry Packer's Nine Network acquisition of 4.98 per cent of John Fairfax Holdings lifted the newspaper group's shares 12 cents to A$1.96.

SINGAPORE closed higher following the government's announcement of changes in the Central Provident Fund's investment rules. The Straits Times Industrial index rallied 18.54 to 1,649.35, with some 124.6m shares traded. The government said on Monday that it would allow CPF members to withdraw more funds to invest in equities and unit trusts.

SEOUL weakened for the first time in four trading sessions on worries about renewed political tension between South and North Korea, caused by Pyongyang's withdrawal from an international nuclear pact. The composite index retreated 7.66 to 637.87 as turnover fell Won200bn to Won300bn.

MANILA lost early gains as investors switched funds to Hong Kong, but the composite index closed 4.13 up at 1,475.78.

NEW ZEALAND recouped Monday's losses, receiving a fillip from rises in Telecom of 8 cents to NZ$2.85, a record high, and Goodman Fielder of 9 cents to NZ$2.13. The NZSE-40 index gained 17.66 at 1,584.69 in turnover of some NZ$30.5m.

BOMBAY advanced for a second day since the market reopened following Friday's series of bombings, in which more than 60 people died at the BSE building. The BSE index added 38.58 at 2,459.85.

Brokers said shares rose on solid support from state-owned financial institutions, with supply limited because trading has been restricted to one hour and tight security had restricted the access of participants.

SOUTH AFRICA

INDUSTRIALS ended 37 lower at 4,445 on caution ahead of today's Budget, but golds advanced 24 to 1,076 in spite of a weaker financial rand and little help from the bullion price. The overall index finished 5 higher at 3,454.

European airlines begin to anticipate a recovery

But industry prospects are uneven, writes John Pitt

European airlines are facing the prospect of further losses in 1993 following a depressed performance last year. While passenger levels have risen slightly this year, earnings forecasts remain negative.

However, there may be some good news for airlines as the US and, to a lesser extent, the UK economies show signs that they may be emerging from recession.

Mr James Halstead, Swiss Bank's transport analyst, comments that the sector looks as if it is at the bottom of the downward cycle. But he draws a distinction between those carriers flying the transatlantic routes, such as British Airways, and those more dependent on Europe, Lufthansa for instance.

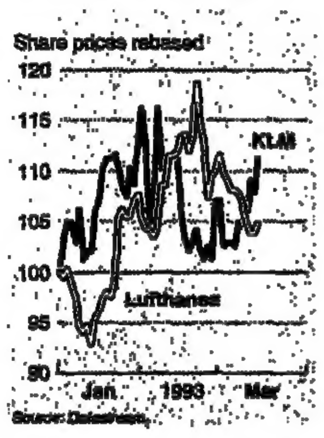
While operators using the transatlantic routes are beginning to see a pick-up in activity, those more dependent on continental European routes will continue to have problems as the recession there begins to deepen, he comments.

Mr Mark McVicar, transport analyst at NatWest Securities, is a little less optimistic and believes that an upturn in the sector will be delayed until 1994. "This is about the earliest time before supply and demand begin to achieve any sort of balance," he says.

Lufthansa surprised some observers when it blazed a trail at the beginning of the year under a European Community liberalisation directive allowing cheaper ticket pricing. The shares moved quickly ahead, reaching a year's high of DM122.50 before beginning to slip back. The stock closed yesterday at DM111.

The German carrier had not previously been induced into the pricing war against competitors but a tough couple of years has forced its hand: Mr Halstead comments that Lufthansa found that it had to discount following substantial losses in 1991 and 1992.

However, Mr McVicar observes that Lufthansa, which has made efforts to reduce its cost base, needs to go much further and quicker in that area. "Lufthansa has said that it intends to break even by 1995/1996," he says, "but the equivalent cost-cutting measures were implemented by British Airways in almost half the time." He adds that the airline faces more difficult industrial obstacles in, for instance, reducing staff levels than the UK operator.



Source: Datastream

By contrast KLM is seen by many analysts to be in a good position to benefit from any economic upturn, having made concerted efforts to cut its cost base. After a volatile performance since the beginning of the year the shares currently stand some 11 per cent higher.

Although, in the short term, the group's prospects are no better than most competitors, with another net loss in earnings forecast for 1993/94, the longer term scenario appears more secure.

Mr Richard Brakenhoff, transport analyst at Amsterdam brokers Pierson, points to benefits which will accrue from the agreement between the Netherlands and US over routes, the "open skies" arrangement. Even its commercial links with Northwest Airlines, the troubled US carrier which had exerted a negative effect on KLM's results – the latter said last month it was writing off its 20 per cent stake in Wings, Northwest's holding company – may eventually prove valuable because of the US route network.

However, KLM's route to greater profitability depends a great deal, says Mr Brakenhoff, on whether or not it can reach an agreement with the present members of the "European Quality Alliance" – SAS, Austrian Airlines and Swissair – on tighter links. At present KLM has a European market share of just above 3 per cent, compared with Lufthansa's 14 per cent, SAS's 9.8 per cent, 4.4 per cent for Swissair and 2 per cent for Austrian.

The outcome of these talks is uncertain, with the chairman of SAS having already said that he does not expect discussions to lead to a merger.

Finally, SAS could benefit from economic recovery, says Mr Torben Sand, analyst at Unibors, having realised the need for very dramatic cost reductions and restructuring which has already resulted in staff numbers being reduced by 3,500. But its long-term prospects are also tied to the future shape of the 'alliance'.

FT-ACTUARIES WORLD INDICES

Jointly compiled by The Financial Times Limited, Goldman, Sachs & Co. and NatWest Securities Limited in conjunction with the Institute of Actuaries and the Faculty of Actuaries

NATIONAL AND REGIONAL MARKETS	MONDAY MARCH 15 1993								FRIDAY MARCH 12 1993					DOLLAR INDEX		
Figures in parentheses show number of lines of stock	US Dollar Index	Day's Change %	Pound Sterling Index	Yen Index	DM Index	Local Currency Index	Local % chg on day	Gross Div. Yield	US Dollar Index	Pound Sterling Index	Yen Index	DM Index	Local Currency Index	1992/93 High	1992/93 Low	Year ago (approx)
Australia (68)	134.15	−2.8	138.65	100.49	115.88	126.97	−2.3	3.87	138.02	142.70	102.73	119.51	129.99	153.68	108.18	142.44
Austria (18)	147.40	+0.6	152.35	110.42	127.33	127.30	+0.5	1.76	146.50	151.47	109.05	126.88	126.65	186.70	131.16	172.03
Belgium (42)	145.16	+0.4	150.03	108.73	125.39	122.43	+0.2	4.94	144.65	149.56	107.66	125.25	122.18	152.27	131.19	138.58
Canada (113)	123.84	+0.2	127.99	92.76	106.97	111.73	+0.4	3.00	123.62	127.81	92.01	107.03	111.31	142.12	111.36	128.74
Denmark (33)	198.80	−0.1	205.46	148.91	171.72	172.64	−0.4	1.33	199.06	205.81	148.17	172.37	173.55	273.94	181.70	234.85
Finland (23)	71.02	−2.9	73.40	53.20	61.35	90.33	−3.2	1.40	73.14	75.62	54.44	63.33	93.32	89.80	52.84	79.59
France (98)	156.25	+1.2	161.49	117.03	134.96	138.42	+0.9	3.16	154.41	159.64	114.92	133.69	137.15	168.75	136.93	150.74
Germany (62)	113.04	−0.2	116.83	84.68	97.64	97.64	−0.4	2.24	113.27	117.11	84.32	98.08	98.08	129.69	101.59	117.19
Hong Kong (55)	233.84	−5.5	241.68	175.16	202.00	232.25	−5.5	3.96	247.56	255.95	184.26	214.37	245.86	262.28	176.36	210.45
Ireland (16)	141.94	+0.7	146.70	106.32	122.61	136.66	+0.4	3.84	140.96	145.75	104.93	122.07	136.10	173.71	122.98	157.70
Italy (73)	59.15	−0.9	61.14	44.31	51.09	70.90	−1.1	2.84	59.70	61.72	44.43	51.69	71.69	80.86	47.47	69.97
Japan (472)	114.51	−0.6	118.35	85.77	98.93	85.77	+0.1	0.98	115.18	119.08	85.73	99.74	85.73	140.95	87.27	105.93
Malaysia (69)	274.40	−1.3	283.60	205.54	237.03	274.93	−1.4	2.41	278.09	287.51	206.98	240.79	278.89	282.42	212.49	240.20
Mexico (18)	1527.55	−1.3	1578.76	1144.22	1319.52	5203.34	−1.4	1.15	1547.39	1599.82	1151.75	1339.87	5276.84	1789.77	1185.84	1635.47
Netherland (24)	163.04	+0.8	168.50	122.12	140.84	138.93	+0.6	4.06	161.73	167.21	120.38	140.04	138.07	169.70	147.88	148.51
New Zealand (13)	45.64	−1.2	47.17	34.19	39.42	45.97	−1.1	4.76	46.19	47.75	34.38	39.99	46.49	48.52	37.39	45.33
Norway (22)	151.09	+2.0	156.16	113.18	130.52	144.94	+1.8	1.82	148.19	153.21	110.30	128.32	142.40	192.95	128.05	165.91
Singapore (38)	213.58	−1.6	220.74	159.98	184.49	161.96	−1.7	2.05	216.98	224.33	161.50	187.87	164.78	229.63	179.85	208.75
South Africa (60)	164.84	−1.0	170.37	123.47	142.39	167.47	−0.1	3.00	166.47	172.11	123.90	144.14	167.55	263.60	134.21	203.16
Spain (46)	125.63	+0.2	129.84	94.10	108.52	113.02	+0.0	5.34	125.37	129.62	93.32	108.56	112.98	161.72	107.10	152.25
Sweden (36)	157.39	−1.9	162.66	117.90	135.96	183.02	−1.2	1.89	160.44	165.88	119.42	138.93	185.20	200.28	149.69	182.18
Switzerland (56)	113.70	+1.1	117.51	85.17	98.23	107.29	+1.0	2.02	112.49	116.30	83.73	97.42	106.18	122.37	95.99	98.45
United Kingdom (226)	169.02	+0.3	174.68	126.59	145.98	174.68	+0.3	4.20	168.46	174.17	125.38	145.86	174.17	200.07	161.86	169.43
USA (522)	184.34	+0.3	190.52	138.09	159.25	184.34	+0.3	2.75	183.78	190.00	136.79	159.14	183.78	186.27	160.92	166.05
Europe (775)	139.45	+0.3	144.13	104.46	120.47	133.79	+0.2	3.46	139.01	143.72	103.47	120.37	133.51	156.68	131.31	140.41
Nordic (114)	147.22	−1.3	152.16	110.28	127.17	149.55	−1.0	1.70	149.16	154.21	111.02	129.16	151.02	188.52	141.24	172.29
Pacific Basin (715)	119.11	−1.0	123.11	89.23	102.89	91.61	−0.4	1.31	120.28	124.35	89.53	104.15	91.98	141.97	93.70	110.66
Euro – Pacific (1490)	127.32	−0.4	131.58	95.36	109.97	108.40	−0.1	2.27	127.82	132.15	95.13	110.68	108.53	145.21	113.80	122.80
North America (635)	180.58	+0.3	186.64	135.28	156.02	179.42	+0.3	2.79	180.04	186.14	134.02	155.92	178.86	182.38	158.70	163.69
Europe Ex. UK (549)	121.01	+0.3	125.07	90.66	104.55	111.04	+0.2	2.96	120.64	124.72	89.81	104.48	110.86	132.98	111.33	122.36
Pacific Ex. Japan (243)	164.42	−3.5	169.93	123.18	142.04	150.98	−3.4	3.57	170.39	176.16	126.84	147.55	156.22	175.31	146.06	157.41
World Ex. US (1681)	128.45	−0.4	132.75	96.22	110.96	110.41	−0.1	2.29	128.96	133.33	95.99	111.67	110.55	146.91	115.99	124.85
World Ex. UK (1977)	144.12	−0.1	148.96	107.96	124.51	129.06	+0.0	2.30	144.34	149.23	107.44	124.99	129.01	150.58	127.21	134.79
World Ex. So. Af. (2143)	146.29	−0.1	151.19	109.59	126.38	132.74	+0.1	2.48	146.42	151.38	109.00	126.80	132.66	153.05	130.04	137.41
World Ex. Japan (1731)	164.53	+0.1	170.04	123.25	142.14	160.62	+0.1	3.03	164.41	169.98	122.38	142.38	160.52	166.44	151.93	155.90
The World Index (2203)	146.30	−0.1	151.21	109.59	126.39	133.06	+0.1	2.49	146.45	151.41	109.01	126.82	133.00	153.70	130.66	137.80

Latest prices were unavailable for this edition.